

United Kingdom

Trade deficit at eight-year high

- Trade deficit in goods and services rises to highest since 2008 in Q1
- Good deficit largest on record
- But export volumes down only 0.1% in Q1

A record goods trade deficit in the first quarter is the latest sign that the UK's economic woes are deepening.

Data from the Office for National Statistics showed that, despite a £0.5bn improvement to reach £3.8bn in March, the trade deficit widened in the first three months of the year to the biggest seen in any calendar quarter for eight years.

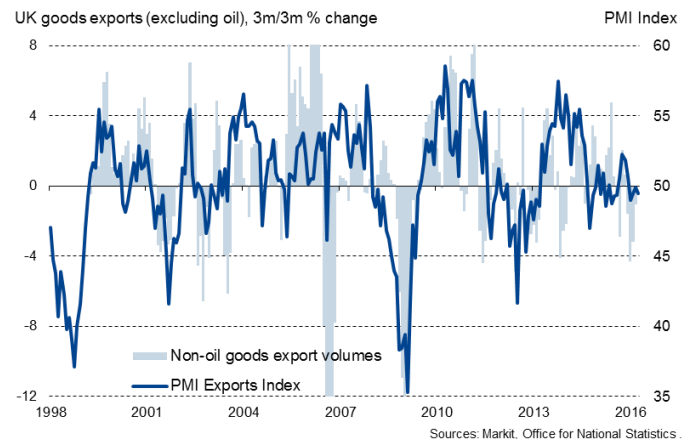
In the three months to March, the deficit hit £13.3bn, up from £12.2bn in the fourth quarter of last year.

The goods deficit in the first quarter was the largest since comparable records began in 1998, standing at £34.7bn. Even stripping out oil and erratics, the goods deficit hit a record high for the second successive month in March. The goods deficit to the EU also hit a record high.

Goods export volumes fell a mere 0.1% in the first quarter, broadly in line with the modest drop signalled by the business surveys. However, the survey data also show exports continuing to decline in April, down for a fourth straight month. Companies primarily blamed the decline on weak demand in many overseas markets, although the recent depreciation of sterling was showing signs of beginning to help boost overseas sales.

The weakness of exports is therefore by no means severe but is just one of many headwinds acting against the UK economy at the moment, compounding growing uncertainty at home due to referendum worries. The surveys showed the pace of economic growth slowing sharply in April, with the quarterly rate of expansion down from 0.4% in the first quarter to just 0.1% at the start of the second quarter, as the combined force of the various headwinds brought the economy close to a stand-still.

Exports



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