

# United Kingdom

## Trade deficit widens as exports fall to near four-and-a-half year low

- **Goods trade deficit widens to £10.34bn in February (up to £2.86bn including services)**
- **Goods exports fall to lowest since September 2010; imports edge higher**
- **Survey data point to revival in exports**

UK exports slumped to their lowest in over four years in February as the strong exchange rate and weaker growth in the US appear to have hampered overseas sales. The data add to signs that the UK has become increasingly reliant on consumers in the home market to sustain the economic recovery, further confounding hopes of a rebalancing away from domestic consumption towards exports.

However, [survey data](#) suggest that the reviving eurozone and a renewed pick up in US economic growth will have helped boost exports in March, and lower oil imports are helping keep the deficit down. On this basis, the trade deficit should start to improve in coming months.

### Trade deficit widens

Data from the Office for National Statistics showed the total value of UK goods exports dropping to £23.16bn in February, their lowest since September 2010. The ONS attributed the deterioration largely to weakened demand from the US.

The fall in exports caused the goods trade deficit to widen to £10.34bn, a seven-month high. If services are included, the deficit rose from £1.54bn to £2.86bn.

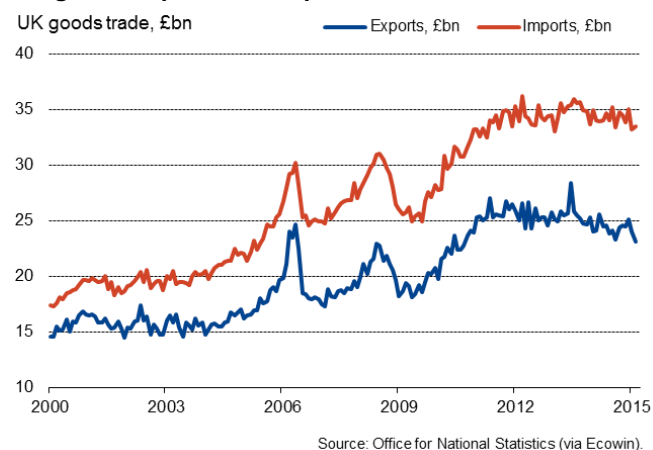
The trade data are volatile, however, and looking on a three-month basis the overall deficit has narrowed to £6.5bn, down from £6.9bn in the three months to November, aided by lower imports, which is in turn most likely linked to the slump in the price of crude oil since last summer.

### Exports set to revive

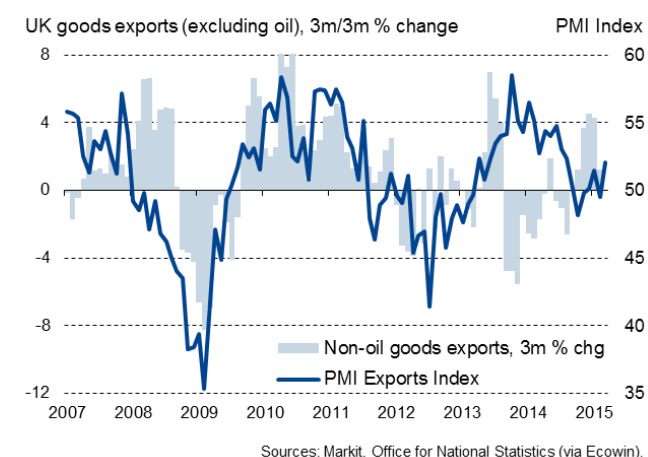
Furthermore, exports look to have risen in March. PMI survey data showed the largest increase in overseas orders since last August. Although the strong pound continues to hamper the competitiveness of UK goods sold abroad (on a trade-weighted basis sterling is up 3% so far this year, with a 7% gain against the euro),

the survey data indicate that the adverse currency impact is being offset by rising demand as the eurozone economy in particular revives. The eurozone PMI, a key indicator of economic growth, rose in March to signal a pace of expansion not exceeded since the first half of 2011. There are also signs of faster growth appearing in the US after the slowdown seen at the turn of the year, offsetting subdued growth across much of Asia and the rest of the Americas.

### UK goods imports and exports



### Survey and official export data



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