

# UK trade

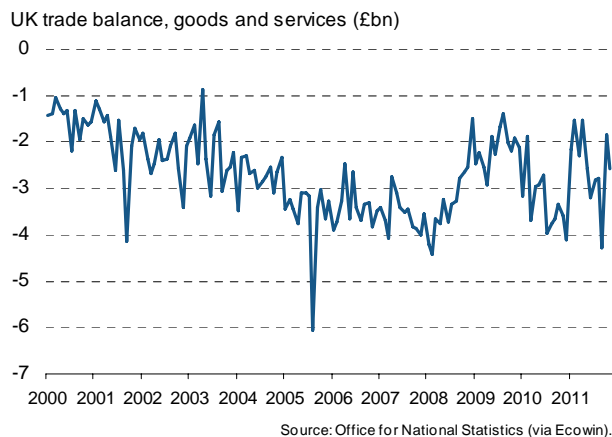
## Trade balance worsens but export trend shows signs of revival

- **The UK's trade balance worsened in November, largely due to a fall in goods exports**
- **Drop in exports in part reflected pay-back from record sales in October, and trend remains upward**
- **Weak demand from Eurozone set to make 2012 a challenging year**

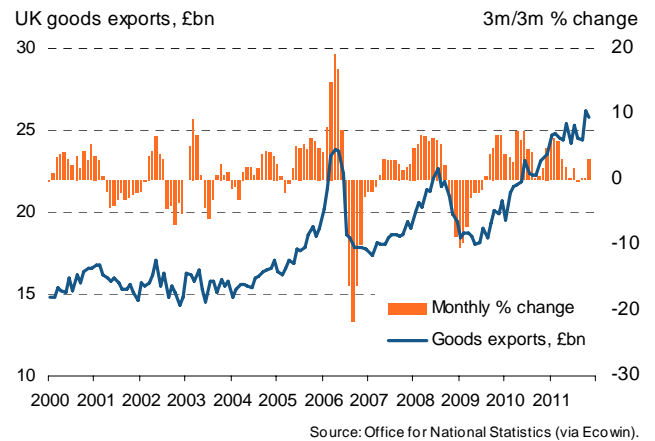
UK goods exports fell in November, reversing some of the huge gain seen in October and causing the trade balance to widen. However, exports nevertheless appear to have regained a modest upward trend in recent months, which is likely to have persisted into December. Trade is nevertheless unlikely to contribute strongly to UK economic growth in 2012, which looks set to be a challenging year as signs of improved demand from countries such as the US and China are likely to be countered by weak demand in the Eurozone.

The UK trade deficit widened from £1.86bn in October to £2.57bn in November. The surplus on services was largely unchanged at £6.1bn but the goods deficit widened from a revised £7.87bn in October (prior estimate was £7.6bn) to £8.64bn.

### UK trade balance



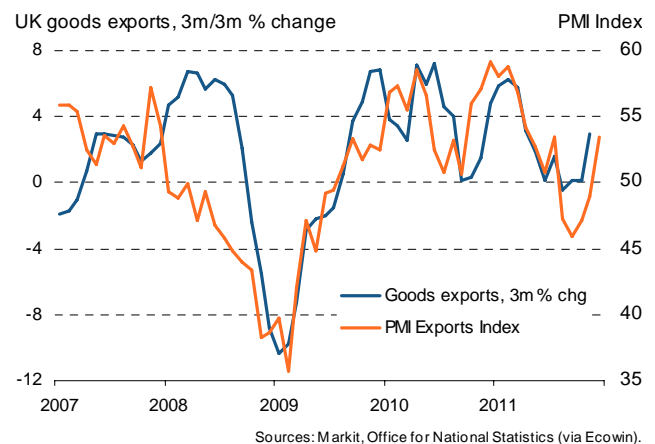
### UK goods exports



The value of goods exports fell 1.5%, having surged 7.1% in October to hit a record high. The monthly data are extremely volatile, however, and the three-month trend remained upwards, showing a 3.0% gain in goods exports in the three months to November, which was the strongest rise since April.

Looking ahead, there are signs that exports fared well in December, but the longer term outlook is one where 2012 looks set to be a challenging year for UK exporters.

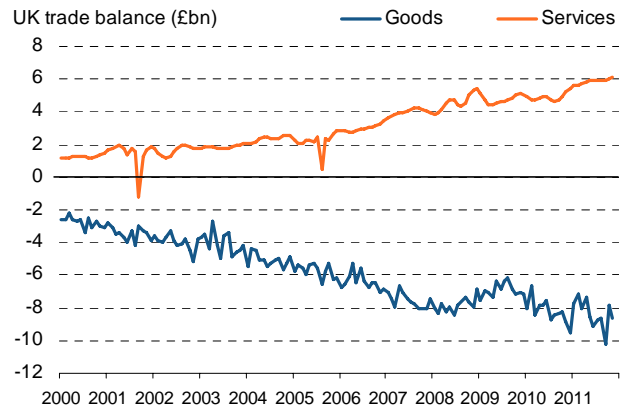
### UK goods exports: survey and official data



The December manufacturing PMI survey signalled a rebound from weakness in November to show the largest rise in goods exports for eight months. Exporters are not only benefiting from the competitive

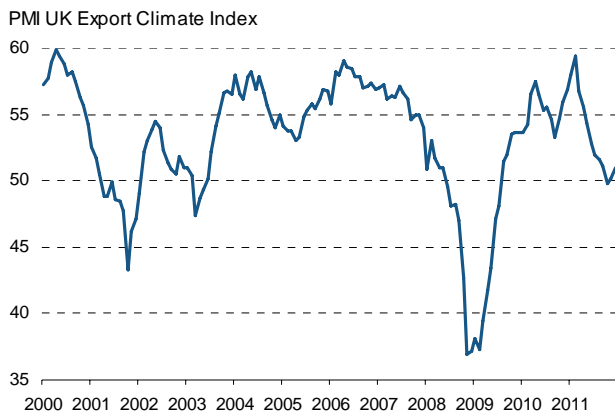
boost generated by the depreciation of sterling, but there are also signs that global demand may be reviving. A trade-weighted index of economic growth in UK export markets sank to its lowest since mid-2009 in October, but has since picked up slightly, driven largely by the surprising strength of the US economy late last year. Emerging markets are also showing renewed signs of life, though account for only a small proportion of UK export sales. These sources of growth are of course offset by ongoing weak demand from many Eurozone countries, which suggests that net trade may only provide a minor boost at best to UK economic growth in coming months.

**Good and services trade**



Source: Office for National Statistics (via Ecowin).

**UK export climate indicator\***



Source: Markit.

\* Derived from manufacturing output and service sector business activity indicators from the worldwide PMI surveys.

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