

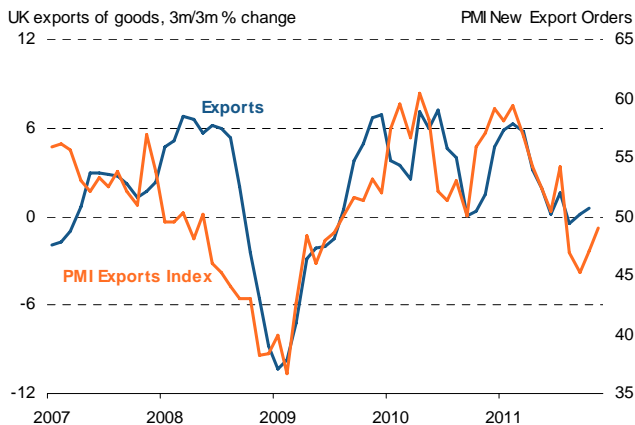
UK and Germany

Contrasting export trends as sales surge in UK but slump in Germany

- **UK trade deficit narrow sharply as exports surge higher in November**
- **German exports slump**

The **UK** trade deficit fell from a record £10.2bn in September to £7.6bn in October as the value of exports hit a record high. Goods exports were 14.7% up on a year ago, jumping 8.7% in October alone. It is unwise to get too excited about volatile monthly data, however, and looking at the trend over the latest three months suggests that the underlying rate of growth of exports has slowed markedly compared to earlier in the year. At the start of the year, exports were growing at a rate of roughly 6% every three months, but now we are only seeing a quarterly rate of increase of 0.6%.

UK exports

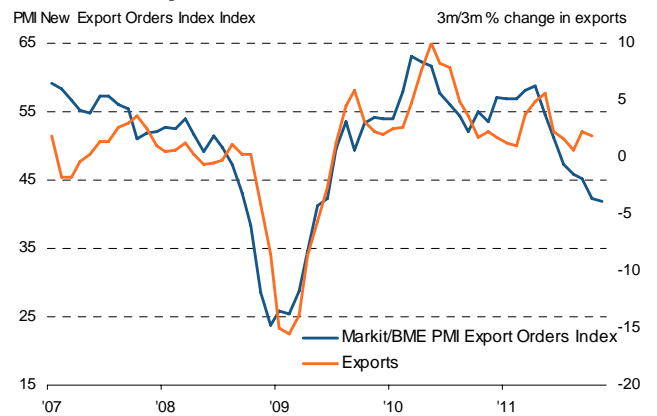


The UK is clearly not immune to the slowdown in global economic growth that has occurred since the start of the year, and is especially exposed to the crisis in the **Eurozone**, which typically accounts for two-fifths of all UK exports.

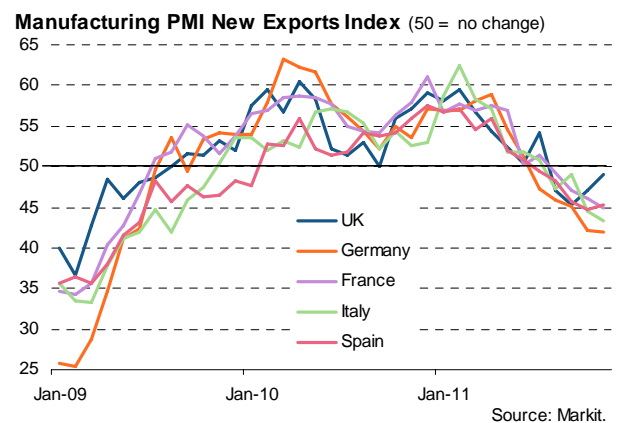
Nevertheless, the fact that UK exports are continuing to grow is hugely encouraging and sits in sharp contrast to many other countries, where exports are now falling sharply. Most striking is the divergence between export performance in the UK and **Germany**. Other data released today showed that German exports fell 3.6% in October.

Again, we must be careful in reading too much into the monthly data, and the three-month trend in German exports is still showing growth of 1.8%. However, the differing trends between the UK and Germany in October correspond with a growing divergence that has been evident in PMI survey data in recent months, showing UK exporters faring far better than their Eurozone peers, and especially German exporters.

German exports



Diverging European export performance



It is too early to be sure what is causing this divergence, but factors may include the greater amount of trade to other Eurozone countries accounted for in Germany compared to the UK (especially to countries such as Italy, Spain and France, which are all showing signs of steep contraction) or differences in the types of goods that

the two countries export. It may also be a sign that buyers in other countries are seeing the UK as a safer place to conduct trade with compared with Germany as the euro crisis leads to heightened uncertainty."

Sources: Markit, Ecwin.

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