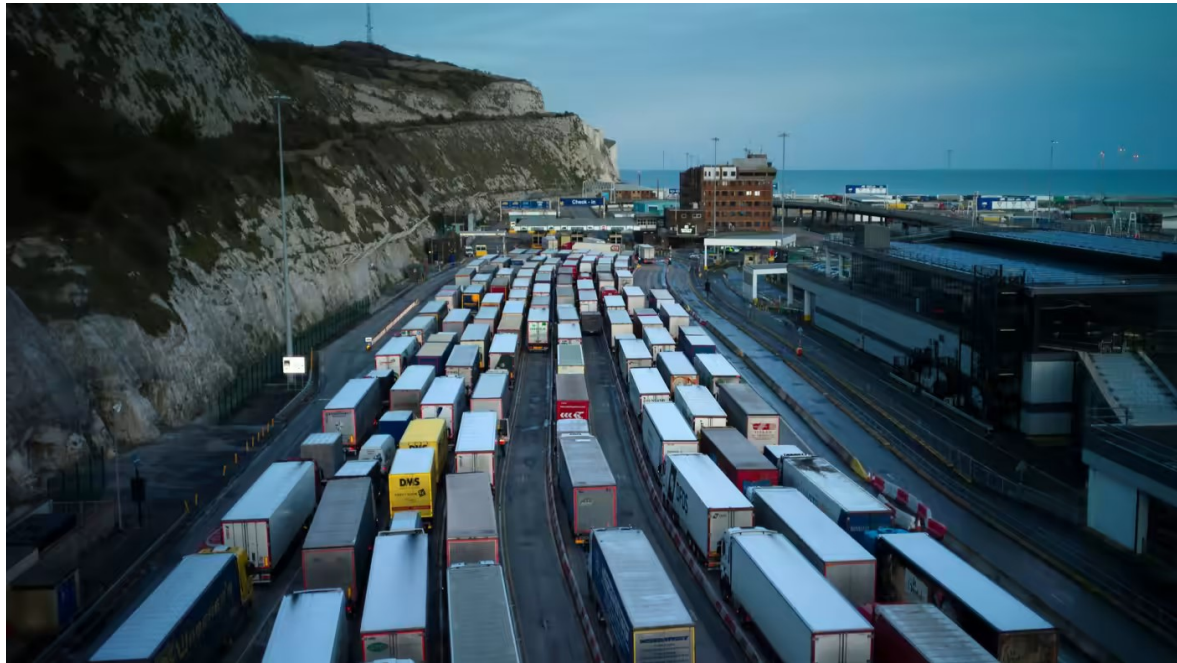


UK trade

UK trade performance falls to worst level on record in first quarter

Official figures corroborate academic studies showing sharp drop in exports since Brexit



The weak performance of UK exports and a surge in imports highlight the economic effects of Brexit © Dan Kitwood/Getty Images

Chris Giles and **Nick Peterson** in London JUNE 30 2022

The UK's trade performance this year fell to its worst level since records began, heaping more pressure on sterling in international currency markets.

The country's current account deficit was calculated at 8.3 per cent of gross domestic product in the first quarter of 2022, a deterioration from an average of 2.6 per cent across all of 2021.

It was the worst figure on record since quarterly balance of payments data was first published in 1955.

The weak performance of UK exports and a surge in imports highlight the economic effects of Brexit. The figures tally with [academic studies](#) that show a decline in exports since 2021, when the UK left the EU single market and new border controls were introduced.

The Office for National Statistics warned that the figures for the first quarter of 2022 were "subject to higher levels of uncertainty than normal". It added that it had developed a new system based on customs records to increase accuracy.

Even when relatively volatile goods such as gold and other precious metals were excluded, the current account deficit still rose from an average of 2.4 per cent of GDP in 2021 to 7.1 per cent in the first quarter of this year.

The gaping current account deficit largely reflects a record imbalance of imports and exports. However, there were also deficits in investment income and transfers

of money between countries.

The ONS said it was investigating a big rise in imports that it had recorded along with foreign direct investment and advised caution on interpreting the quality of the data.

Paul Dales, chief economist at Capital Economics, said the most noteworthy element in the figures was a 4.4 per cent fall in real exports and a 10.4 per cent leap in real imports.

“At the start of this year, the ONS started to measure imports between the UK and the EU in a slightly different way.” This resulted in a “large step change upwards”, he said, adding that the figures were “really hard to interpret”.

Samuel Tombs, chief UK economist at Pantheon Macroeconomics, said a surge in energy prices was the main cause of the country’s difficulties.

He echoed former Bank of England governor Mark Carney, who warned repeatedly after the Brexit referendum that the value of the pound depended on the “kindness of strangers”.

“The adverse consequences of the UK dependence on external finance that stems from the large current account deficit have been clear over the past month, with sterling depreciating sharply as global investors have collectively shunned risky assets,” said Tombs.

The pound, which was stable in currency markets on Thursday morning, has lost more than 10 per cent of its value against the US dollar over the past year, while remaining broadly stable against the euro.