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A £25bn threat to the economy

by Hugh Sharpe

WHITEHALL'S apparent indifference to Britain's growing trade account deficit—£9.6 billion last year—is not shared by Dr Gerard Lyons, economist at brokers SBCI Savory Milln.

He believes that unless swift action is taken the deficit could jump to £25 billion by 1992, and that as it rises it will impose severe constraints on the future growth of the economy.

Buying foreign

So why are Britons buying foreign rather than UK products, and why do our products fail to sell better abroad?

Lyons, who points out the UK is in deficit with all but four of the 23 OECD countries, argues that UK produced goods increasingly tend to be less attractive to UK consumers than comparable foreign products.

Overseas, he says, British products are being squeezed out of markets by others as good, but costing much less.

Lyons believes that the right way to satisfy the appetite of Britons for quality foreign goods is to make home products equally as attractive and that this requires huge investment.

Lawson: he should concentrate on encouraging industrial investment.

He expects the Government to handle the growing deficit with policies aimed at curbing domestic demand. Far better, he suggests, to spur quality production in the UK with policies aimed at increased industrial investment.

Lyons thinks it unlikely that Chancellor Lawson will heed his plea where this Budget is concerned.

Meantime he expects the deficit to mount. For 1988, he forecasts, the current account deficit will top £5.1 billion.