

Global Britain Briefing Note

No 23

6th December, 2002

UK Export Growth Stalled in 2001

An overview of British trade flows in 2001 and growth 1996-2001, based on the official United Kingdom Balance of Payments Statistics

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- 1 Export Growth slowed in 2001 to 3% (compared with 18% the previous year) with exports of invisibles growing faster than exports of visibles:-**

*Total UK Exports of Visibles and Invisibles**

£ billion	2000	2001	Growth
Visibles	188	192	2%
Invisibles	225	233	4%
Total	413	425	3%

*Services, income and receipts of "transfers".

- 2 EU '14' Still Takes Half of Recorded Total UK Exports**, though, adjusted for the *Rotterdam - Antwerp Effect* and the separate *Netherlands Distortion* (see over) the real proportion of total UK exports going to the EU '14' is more like 45%:-

2000: Make-up of UK Exports by Category: World versus EU

£bn	Goods	Services	Inv.Inc.	Transfers	Total
A. Worldwide	192	77	140	16	425
B. EU'14'	111	31	61	9	213
C. B / A	58%	40%	44%	56%	50%

- 3 Investment Income Still the Biggest Single Component of all UK Exports;** accounts for a third of the total:-

2001: Total UK exports (visible and invisibles) by category

	£bn	%
Investment Income	140	33
Finished Man. Goods	111	26
Services	77	18
Semi-man. Goods	51	12
Oil	15	4
Food, Drink, Tobacco	10	2
Others	21	5
Worldwide Exports	425	100

- 4 Investment Income diversified as to type of activity and type of investor,** with the "City" predominant:-

2001: Analysis of UK investment income from overseas

By type of activity	£ billion	%
Lending etc. to overseas residents		
by UK banks	59	42
Earnings on Direct Investment overseas	44	31
Earnings on Portfolio Investment overseas	35	25
Other	2	2
Total	140	100
By type of UK investor		
UK banks	73	52
UK non-bank private sector	65	46
Other	2	2
Total	140	100

- 5 The USA is by far the UK's biggest export market for goods and services:-**

2001: Exports of Goods and Services: UK's Top Ten Markets

Country	£ billion	%
1 USA	47	18
2 Germany	30	11
3 France	25	9
4 Netherlands	19	7
5 Ireland	17	6
6 Belgium/Lux	12	4
7 Italy	11	4
8 Spain	11	4
9 Japan	7	3
10 Switzerland	6	2
UK's Top Ten Markets	185	69
Other Countries	83	31
UK World Exports	268	100

- 6 The USA is the biggest provider of income for the UK.** Note that the Netherlands figures are overstated due to the *Netherlands Distortion* (see over):-

2001: Recorded Income Earned Overseas: UK's Top Ten Providers

Country	£ billion	%
1 USA	31	22
2 Netherlands	13	9
3 Germany	12	9
4 France	8	6
5 Switzerland	8	6
6 Japan	8	6
7 Italy	7	5
8 Belgium/Lux	6	4
9 Ireland	5	4
10 Singapore	3	2
UK's Top Ten Markets	102	73
Other Countries	38	27
UK World Exports	140	100

- 7 As usual, UK merchandise trade was in deficit,** the only main sub-sector in surplus being oil:-

2001: UK visible (merchandise) exports and imports by category

£bn	Exports	Imports	Balance
Finished Man. Goods	111	134	-24
Semi-man. Goods	51	54	-3
Oil	15	10	5
Food, Beverages, Tobacco	10	19	-9
Basic Materials	3	6	-4
Miscellaneous	2	2	1
Total World	192	225	-34
EU '14'	111	116	-5
EU '14'/World	58%	52%	15%

8 UK services in surplus in most categories, often substantially, except travel (i.e. tourism), the main cause of the deficit with EU '14':-

2001: UK services exports and imports by category

£bn	Exports	Imports	Balance
Non-specified business services	23	10	13
Financial	13	3	10
Travel	13	26	-14
Transportation	12	16	-4
Royalties and licence fees	6	4	2
Miscellaneous	10	7	4
Total World	77	66	11
EU '14'	31	34	-3
EU '14'/World	40%	52%	-

9 The UK in surplus on its exports and imports of income, substantially so with EU '14':-

2001: UK Income: Exports and Imports by category

£bn	Exports (Credits)	Imports (Debits)	Balance
Lending/borrowing between UK and non-resident banks	59	67	-8
Earnings on direct investment	44	28	16
Earnings on portfolio investment	35	35	-
Other	2	1	1
Total World	140	131	9
EU '14'	61	51	10
EU '14'/World	44%	39%	111%

10 Contrasting performances in shares of UK exports taken by the USA (rising steadily, up 16% over five years) and by EU '14' (flat):-

Proportion of UK world exports (visibles and invisibles) going to EU '14': percentages

1996	1997	1998	1999	2000	2001
49.8	48.7	49.2	50.3	49.4	50.2

Proportion of UK world exports (visibles and invisibles) going to the USA: percentages

1996	1997	1998	1999	2000	2001
16.6	17.0	18.7	18.9	19.2	19.3

11 The UK has been in deficit on its trade with the rest of the world every year since 1993. The UK is consistently in surplus with the USA, the rest of the Americas and Australasia, and consistently in deficit with Europe. With Asia, the UK was in small surplus in the mid-nineties, but the deficit has grown rapidly since 1998:-

UK: All exports and imports (visibles and invisibles):

Cumulative Balances (Exports less Imports)

1993-2001 inclusive

		£bn
Surpluses:	With USA	50
	With Americas (excl. USA)	26
	With Australia and New Zealand	25
Deficits:	With Asia	58
	With EFTA	57
	With EU '14'	56
	With Rest of World	33
Net Deficit:	With Whole World	102

12 UK Exports to EU '14' are growing at the same average rate as to the whole world, but at a slower rate than exports to the USA and EFTA:-

1996-2001: Rates of Growth of All UK Exports (visibles and invisibles)

£bn	1996	2001	Growth p.a.*
To EU '14'	166	213	5%
To EFTA	13	18	7%
To USA	56	82	8%
To Asia	55	55	Zero
To Rest of World	45	57	5%
To Whole World	335	425	5%

* Compound annual average per year 1996-2001.

Distortions to Recorded UK Trade Flows

The Rotterdam-Antwerp Effect

Europe's two biggest ports are Rotterdam, in Holland, and Antwerp, in Belgium. Two-thirds of the British exports and imports recorded in the trade statistics as going to and from those countries in fact transit via Rotterdam and Antwerp on their way to or from somewhere else, some to end-destinations within other EU countries, the remainder to end-destinations in the Americas, Asia-Pacific and elsewhere.

The (Quite Separate) Netherlands Distortion:-

For tax reasons, Foreign Direct Investment is often channelled through intermediate holding companies domiciled in the Netherlands. The initial investments are recorded as going to the Netherlands, rather than the country which is the end-destination; the income flowing from the investments is similarly recorded – erroneously - as originating in the Netherlands.

Thus, recorded income to and from the Netherlands (and the EU, of which the Netherlands is a member), is overstated. See Global Britain Briefing Notes No 20, *Foreign Direct Investment: The Netherlands Distortion*, for a full exposition and No 21, *Ninety Per Cent of the British Economy is NOT involved in Exports to the EU*.

Source and Interpretation of Data

Except where indicated, the source of the statistical data is *United Kingdom Balance of Payments - The Pink Book - 2002 Edition*, produced by the Office for National Statistics, published by the Stationery Office in August 2002. [ISSN 0267-8691, Crown copyright 2002]. www.statistics.gov.uk

Global Britain follows standard ONS practice in treating Investment Income as a component of Exports, alongside Goods, Services and Transfers.

"Visibles" refer to physical goods or merchandise. "Invisibles" refer to services such as air transport, tourism or engineering consultancy; to royalties on intellectual property such as music or films; to investment income; and to transfers (i.e. payments) to or from supranational (e.g. the EU) and multinational (e.g. the UN) organisations.

The previous publication in this series was Global Britain Briefing Note No 17, *UK Trade in 2000 & Growth 1993-2000*, published on 1st February 2002.