
Currency of Invoicing for UK Exports:

Dollar Usage More than Double that of Euro

New official data shows that the US Dollar is more than twice as important to British exporters of goods as a currency of invoicing than the Euro.

In May 2000 Global Britain published research demonstrating that at least 60% of British exports world-wide (including not just goods but services and investment income receipts as well) are Dollar-linked, the linkage arising because those exports go to Dollar-linked countries or Dollar-linked industries or both.¹ A new survey by HM Customs & Excise (summarised in Table 1 below) on British exporters' currency of invoicing² confirms the importance of the role of the US Dollar in British overseas trade of goods, which account for less than half of total British exports. (Table 2 below).

The survey shows the following:-

British Exports

- The US Dollar is second only to Sterling as the currency in which British exporters of goods invoice their shipments world-wide. (Table 1).
- For those shipments worldwide, US Dollar usage as a currency of invoicing is more than double that of the Euro. (Table 1).
- Even for shipments to Britain's 14 EU partners, the US Dollar is the currency of invoicing for 25% of exports of goods. (Table 1).
- For shipments to the EU Euro-zone the position is very similar. (Table 1).
- For shipments outside EU '14' to the rest of the world, the Euro is hardly used at all: Sterling and the US Dollar between them account for 94% of British goods exports. (Table 1).
- For shipments to Britain's biggest

British Imports

- The US Dollar is second only to Sterling as the currency in which British imports of goods from the whole world are invoiced. (Table 1).
- US Dollar usage is more than double that of the Euro for British imports of goods from the whole world. (Table 1).
- For goods imports into Britain from her EU '14' partners, the Euro is less important as a currency of invoicing than Sterling, but more important than the US Dollar. (Table 1).
- For goods imports into Britain from the EU Euro-zone, the Euro is more important than the Dollar, but less important than Sterling, as a currency of invoicing. (Table 1).
- For imports of goods into Britain from outside EU '14', Euro usage as a currency of invoicing is very small. (Table 1).

single EU market (and second biggest market world-wide), Germany, the US Dollar ranks ahead of the Euro as a currency of invoicing. (Table 1).

- For imports of goods into Britain from Germany, Euro usage as a currency of invoicing is high; ahead of Sterling and the US Dollar. (Table 1).

Conclusion

Historically, Dollar/Euro (and before that Dollar/DM) exchange rate volatility has been substantially greater than that of Dollar/Sterling. If the Euro were ever to replace Sterling, and if the high volatility of the Dollar/Euro exchange rate were to persist, the consequence would be:-

- More rather than less exchange rate volatility for British trade worldwide, in services and investment income as well as in goods.
 - Even for British trade in goods with EU '14', the Dollar-denominated component of that trade would suffer higher exchange rate volatility than hitherto.
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