

Global Britain Briefing Note

No 88

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EU market stagnates

*Adjusted for inflation, British exports to the EU
were lower in 2012 than in 2002*

**Twenty years from now, on present trends, four-fifths of
all British exports will go outside the EU**

- The ten-year period 2002 to 2012 consisted, broadly speaking, of a mixture of “boom & bust”. An economically benign period from 2002 to 2007 was followed by a five-year depression - not yet over - between 2008 & 2012.
- Between 2002 & 2012, British exports to the EU grew in value at an average annual compounded rate of 2.4%. Assuming that UK inflation over that period was, say, 2.5% p.a.¹, it follows that in “real” inflation-adjusted terms, British exports to the EU experienced **zero growth** between 2002 & 2012 - indeed, may have declined. *Table 1*
- If, over the ten-year period 2013 to 2022, British exports grow at the same average annual compounded rates as in the period from 2002 to 2012 to, respectively, the EU, & the World-outside-the-EU, the split of British global exports in 2022 will be approximately 70/30: **70% outside the EU**, 30% to the EU. *Table 1*
- Projecting ten years further: if, over the twenty-year period 2013 to 2032, British exports grow at the same average annual compounded rates as in 2002 to 2012 to, respectively, the EU & the World-outside-the-EU, the split of British global exports in 2032 will be approximately 80/20: **80% outside the EU**, 20% to the EU. *Table 1*
- Using the same assumed rate of UK inflation over 2002 -2012 of 2.5% p.a., British exports to all regions of the world outside the EU experienced “real” (inflation-adjusted) growth in that period. *Table 3*
- Over the ten years 2002-2012, British exports to EFTA countries - Switzerland, Norway & Iceland - grew **two-and-a-half times faster** than British exports to the EU. *Table 3*
- British exports to some EU countries over the ten years 2002 - 2012 *did* show “real” (inflation-adjusted) growth - for example, to Poland (9.9% before inflation) & Sweden (5.0% before inflation). *Table 4*

- But, assuming average UK inflation at 2.5% p.a. in 2002-2012, UK exports to the “Big Four” EU countries: Germany, France, Italy & Spain, as well as to the Netherlands & Japan, shrank in “real” (inflation-adjusted) terms. *Table 4*

- It should be noted that the foregoing analysis takes no account of the two statistical distortions, the *Rotterdam-Antwerp Effect* & the *Netherlands Distortion*, which exaggerate the importance of the EU as a destination for UK exports. Had it been possible to “correct” the official trade data for these distortions, the value of UK exports going to the EU (for example in Table 1) would have been a few percentage points lower, & the value going to the World-outside-the-EU a few percentage points higher.

Table 1: Rate of Growth of UK Exports¹ 2002 – 2012: EU v. Rest of World		
Destination	Value of UK Exports in 2012	Rate of Growth 2002-2012²
EU-26	£ 278 bn	2.4 %
Rest of World	£ 394 bn	7.2 %
World	£ 672 bn	4.9 %
<i>1: Exports of Goods, Services, Income & Transfers</i>		
<i>2: Annual average compound rate of growth 2002 - 2012</i>		

Table 2: Projected Split of UK Exports¹ in 2022 & 2032						
Destination	Value in 2012	Rate of Growth²	Projected Value in 2022³	2022 %	Projected Value in 2032³	2032 %
EU-26	£ 278 bn	2.4 %	£ 352 bn	31 %	£ 447 bn	22 %
Non-EU	£ 394 bn	7.2 %	£ 790 bn	69 %	£ 1583 bn	78 %
World	£ 672 bn	4.9 %	£ 1142 bn	100 %	£ 2030 bn	100 %
<i>1: Exports of Goods, Services, Income, Transfers</i>						
<i>2: Annual average compound rate of growth 2002 - 2012</i>						
<i>3: Assuming same annual average compound growth rates as in previous ten years: EU-26: 2.4%; Non-EU: 7.2 %</i>						

Table 3: Rate of Growth of UK Exports¹ 2002-2012 by Main Destination		
Destination	Value of UK Exports in 2012	Rate of Growth 2002-2012²
Other Europe ³	£ 29 bn	10.6 %
Africa	£ 30 bn	9.9%
Asia	£ 123 bn	9.3 %
Australia/NZ	£ 18 bn	7.8 %
EFTA ⁴	£ 29 bn	6.1 %
Americas	£ 166 bn	5.2 %
EU-26	£ 278 bn	2.4 %
World	£ 672 bn	4.9 %
<i>1: Exports of Goods, Services, Income, Transfers</i>		
<i>2: Annual average compound rate of growth 2002-2012</i>		
<i>3: Russia, Turkey, non-EU eastern European countries, international organisations</i>		
<i>4: Switzerland, Norway, Iceland</i>		

Table 4: Fastest-Growing UK Export¹ Markets 2002-2012

Rank	Country	Growth Rate % ²
1	Russia	19.8
2	China/HK	15.0
3	Brazil	13.3
4	Thailand	12.0
5	South Korea	11.9
6	India	11.7
7	Turkey	10.1
8	Singapore	9.9
9	Poland³	9.9
10	Australia	8.3
11	Saudi Arabia	7.7
12	Switzerland	6.3
13	Norway	5.8
14	South Africa	5.5
15	Sweden	5.0
16	USA	4.9
17	Canada	4.3
18	Denmark³	3.5
19	Ireland	3.1
20	Belgium/Luxemb.³	2.9
21	Germany³	2.2
22	Netherlands³	2.1
23	Japan	1.9
24	France³	1.6
25	Spain³	1.6
26	Italy³	0.1
<i>1: Exports of Goods, Services, Income, Transfers</i>		
<i>2: Annual average compound rate of growth 2002 - 2012</i>		
<i>3: EU member</i>		

Notes & Data Sources

1: The CPI simple average for that period was 2.55 %.

The Pink Book 2013, 31st July 2013, www.statistics.gov.uk > Economy > Balance of Payments > The Pink Book 2013 is the source of the export data. The statistics summarised in this Briefing Note are from *Part 3, Chapter 9: Geographical Breakdown of Current Account*.

Payments to & from supra- & international organisations, & remittances by expatriates, which are included in “Transfers”, are not strictly-speaking “Trade”, but a large proportion of them are trade-related. HM Government itself justifies UK net payments to the EU on the grounds (unsupported by any evidence) that *“the UK needs to be in the EU for trade”*.

The data above is not adjusted for the Rotterdam-Antwerp Effect or the separate Netherlands Distortion (see *Global Britain Briefing Note No 64, “The Rotterdam-Antwerp Effect & the Netherlands Distortion” 7th January 2011*). The effect of these two statistical distortions is to significantly overstate (in the *Pink Book*) the value of UK exports to EU-26, & to significantly understate the value of UK exports outside the EU.

In the tables, “EU-26” means the 26 member-states of the European Union as at 2012 (the UK being the twenty-seventh). Croatia joined the EU on 1st July 2013.

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