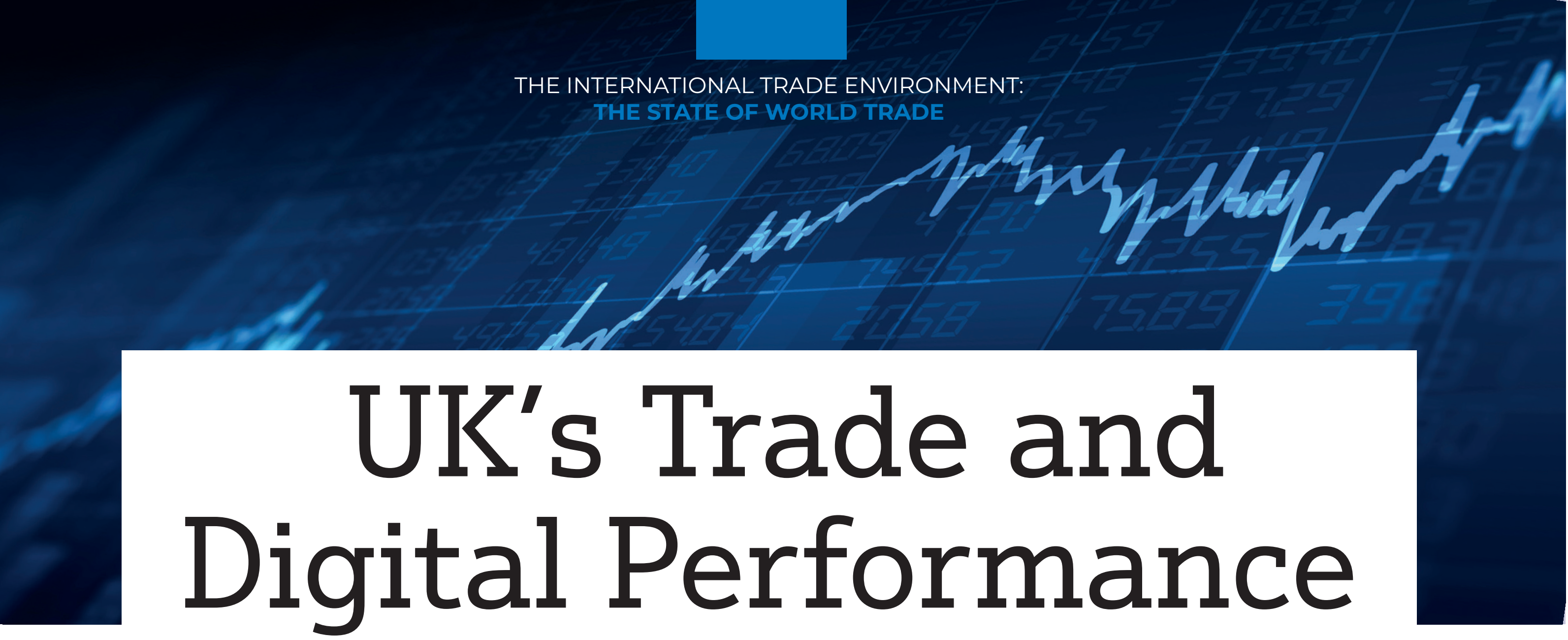


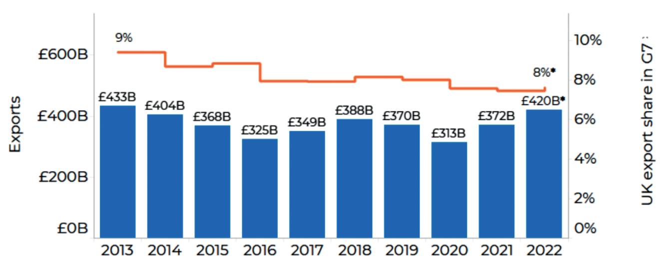
# UK's Trade and Digital Performance in the G7

The IMF's April 2023 World Economic Outlook highlighted the expected sluggish growth of the UK Economy against other G7 economies for 2023 and 2024. We explore the degree to which the UK's performance in trade in goods, services and digitalization of services compares against other G7 economies. and highlight the major industries and players driving trade.

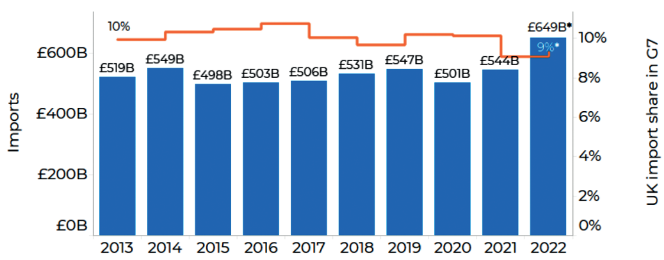
**Paul Baker**, CEO International Economics Consulting

## Trade in Goods Source: International Economics Consulting Ltd

### Exports (GBP)




### Imports (GBP)



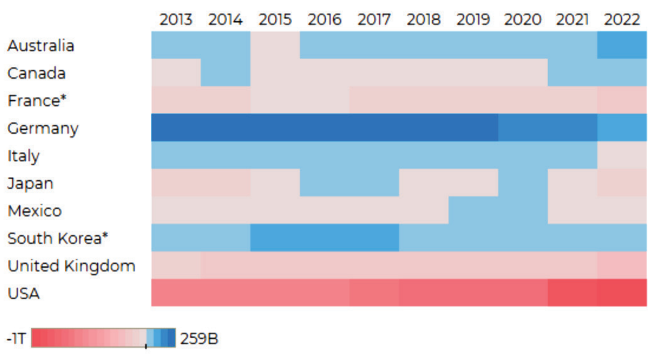

UK exports/imports    UK's exports/imports share in total G7 exports/imports    *France and South Korea 2022 trade values were forecasted

In 2022, the UK exports reached a total of **£420 Bn**, equal to **8%** of G7 exports. Over last decade, UK exports fell by **0.7%** a year, corresponding to a **1 point** drop in its share of G7 exports.

In 2022, UK imports reached **£649 Bn**, or **9%** of G7 imports. Over the last decade, UK imports grew by **1.4%** a year, corresponding to a **1 point** fall in its share of G7 imports.

### Trade Balance (GBP)

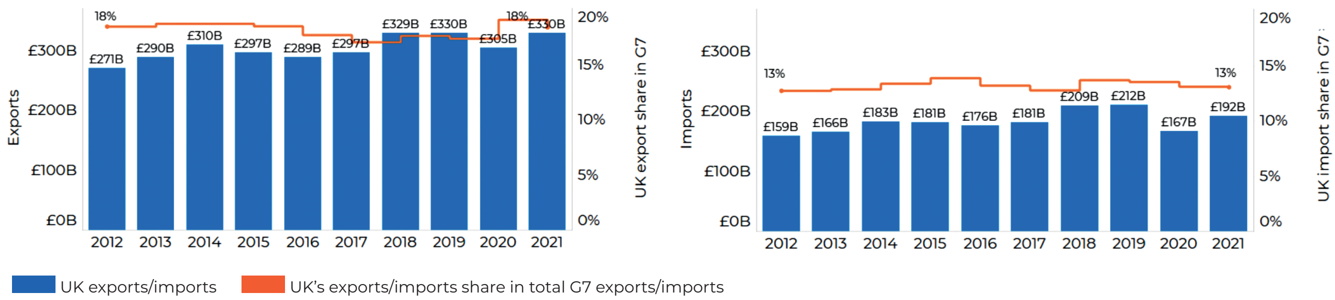
In 2022, the UK reached a trade deficit of **£229 Bn** in goods, which has become more pronounced over the last decade. Among the other G7 members, Germany and Canada were the only countries to have a positive trade balance of **£70 Bn** and **£22 Bn** respectively in 2022. Other major economies outside the G7 which have positive trade balances are Australia and South Korea.




Note: Red colour indicates negative trade balance and blue colour indicates positive trade balance. * 2022 trade balance was forecasted

## Trade in Services Source: International Economics Consulting Ltd

### Exports (GBP) / Imports (GBP)

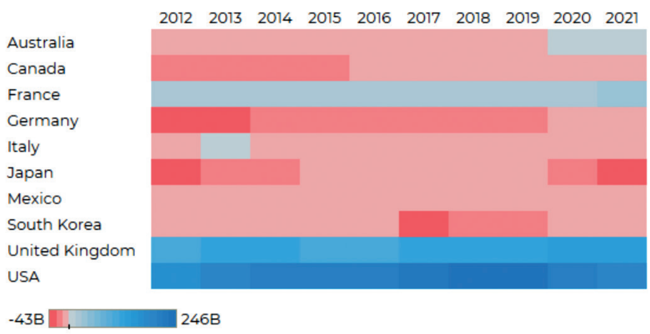



In 2021, the UK's services exports reached **£330 Bn**, accounting for **18%** of G7 exports. Its share in G7 exports remained stable over the last decade.

In 2021, the UK imported services worth **£192 Bn**, constituting **13%** of G7 imports. Its share in G7 imports remained stable over the last decade.

### Trade Balance (GBP)

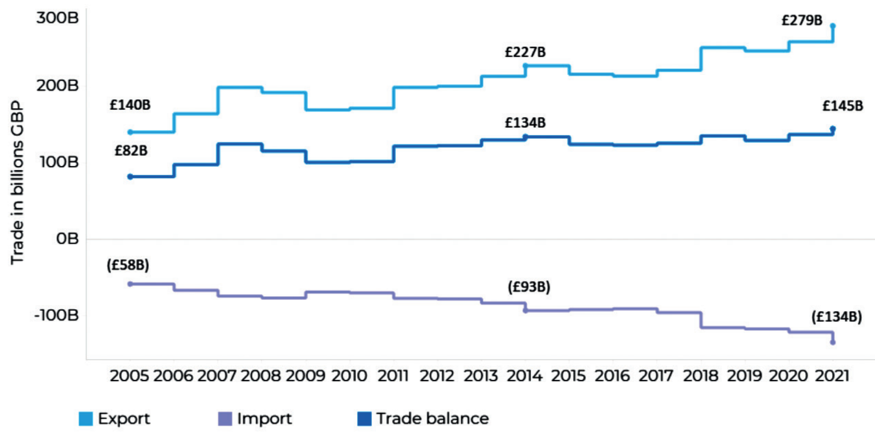
In 2021, the United States had the highest trade surplus among the G7 countries, at **£194 Bn**, while the UK came in second with a trade surplus of **£138 Bn**. The UK's trade surplus has grown over the last decade, while the United States had a nearly identical growth rate over the same period. Among G7 countries, Japan had the highest trade deficit, at **- £31 Bn** in 2021.




Source: International Economic Consulting forecasts and calculations; UN Comtrade database, and WTO stats. Growth rates using the least squares regression

# Trade in digitally deliverable services

## UK's trade in digitally deliverable services Source: International Economics Consulting Ltd

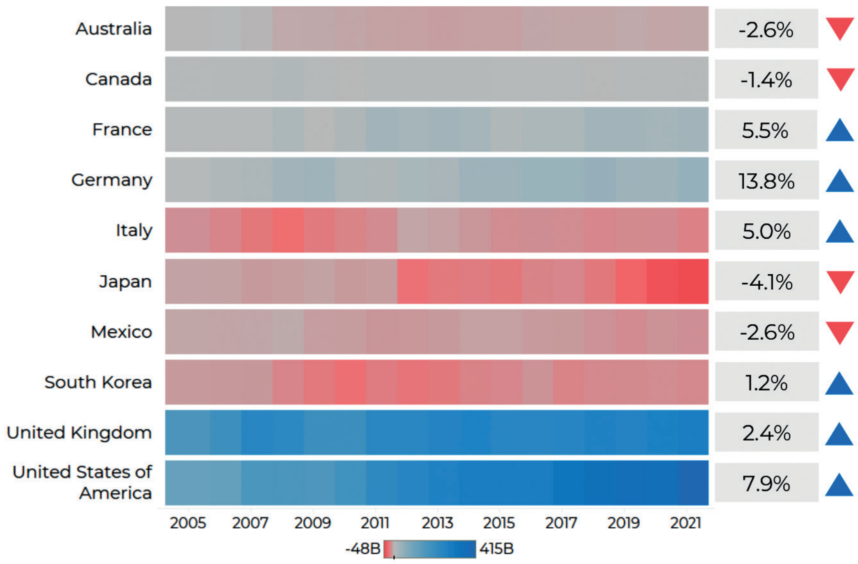



Note: Imports are shown as negative values

Exports of digitally deliverable services of the UK have **doubled** from 2005 to 2021, rising from **£140 Bn** to **£279 Bn**. Similarly, Imports have been increasing too through the years and reached **£134 Bn** in 2021.

Following a steep rise from 2005 to 2008 in the trade surplus, the growth in surplus has slowed in recent years.

## Trade balance of UK and selected economies Source: International Economics Consulting Ltd

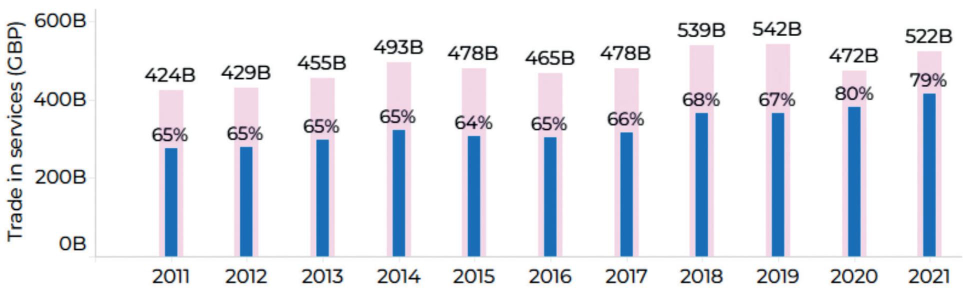



Note: Red colour indicates negative trade balance and blue colour indicates positive trade balance

The United Kingdom and the United States are the two leading countries with the highest trade surplus. While the growth rate of the UK is **2.4%**, that of the USA is more than three times higher at **7.9%** from 2005 to 2021. France and Germany are the other G7 members with a growing trade balance in digitally deliverables services. Unlike the above mentioned countries, Australia, Japan, Mexico, and South Korea have trade deficits with all countries registering higher deficits, except for South Korea.

## UK share of trade in digitally deliverable services Source: International Economics Consulting Ltd

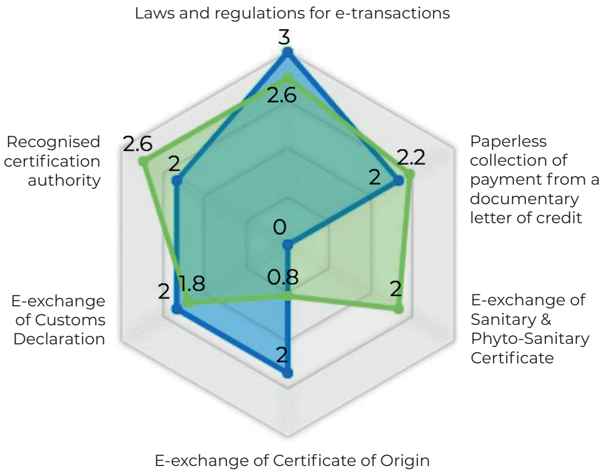
From 2011 to 2019 the UK's share of trade in digitally deliverable services in its total trade in services had remained steady around the **65 - 67 %** range. However, since 2020 there has been a significant increase in the share rising to **80%** in 2020 and **79%** in 2021.




Trade in digitally deliverable services   Trade in services   Source: International Economics Consulting; UNCTAD Stats

# Sustainable Trade Facilitation & Digital STRI

## Cross border Trade Facilitation implementation Source: International Economics Consulting Ltd

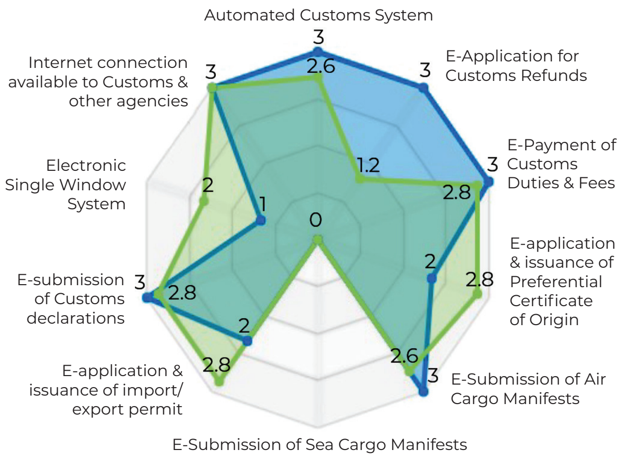



● United Kingdom ● G7 excluding UK & US
**0**: Not implemented; **1**: Planning stage;
**2**: Partially implemented; **3**: Fully implemented

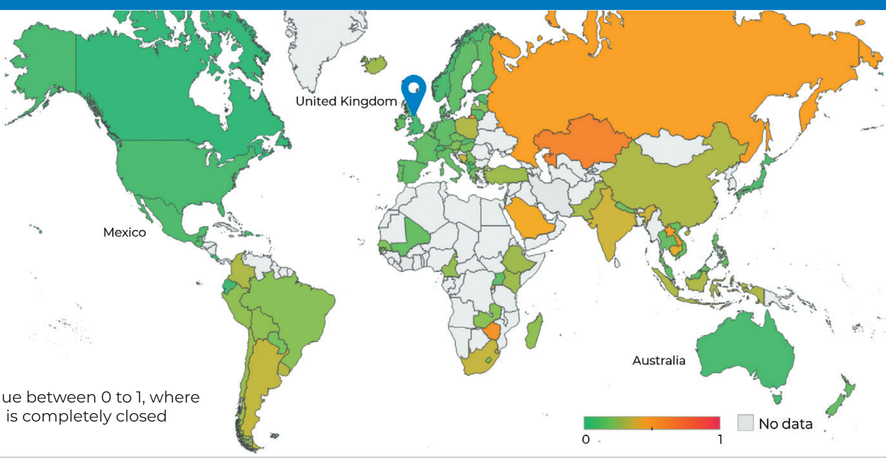
The United Kingdom has made progress in implementing **cross-border paperless trade** measures, specifically in the area of **laws and regulations for electronic transactions** which is fully implemented. However, the UK still has room for improvements in implementing other measures where it lags behind the G7 countries, in particular in the **E-exchange of Sanitary & Phyto-Sanitary Certificate** where it has not yet started implementation.

The United Kingdom has achieved significant progress in implementing **paperless trade** measures, with most of them **fully implemented** ahead of the other G7 countries. However, there are some areas where the UK falls behind the G7 counterparts, especially in implementing the **Electronic Single window system**.

## Paperless Trade Facilitation implementation




## Digital Services Trade Restrictiveness Source: International Economics Consulting Ltd




Note: The index takes a value between 0 to 1, where 0 is completely open and 1 is completely closed

In 2022 the UK had a **high degree of openness for Digital Services Trade**. Compared to other G7 countries, the UK is ranked second after Canada which is **fully open**. Among the G7 members, Italy has the most restriction in policies affecting digital services trade.

Sources: International Economics Consulting; Digital and Sustainable Trade Facilitation (2021), UN Global Survey; Digital Services Trade Restrictiveness Index (2022), OECD.Stat

# Growing sectors

## Goods: 5 highest growth sectors exported by the World, G7 and UK (2017 – 2021)

| UK | | G7 (Excl-UK) | | World | |
|---|---|---|---|---|---|
| Pearls & Diamond | 15% | Minerals | 9% | Fats & oil | 7% |
| Base metal | 3% | Fats & oil | 7% | Chemicals | 7% |
| Precision instrument | 3% | Wood | 7% | Wood | 6% |
| Arms | 3% | Pearls & Diamond | 7% | Base metal | 6% |
| Minerals | 3% | Chemicals | 6% | Minerals | 5% |

From 2017 to 2021, the UK saw a significant increase in its exports of **pearls and diamond** goods, rising from **£2 Bn** to **£52 Bn**. This **15%** growth rate was the highest among G7 countries. Meanwhile, the other G7 countries experienced a growth rate of **9%** in mineral exports, which increased from **£250 Bn** to **£383 Bn**. During the same period, global exports of **fats and oil products** grew from **£78 Bn** to **£111 Bn**, while **chemical products** exports expanded from **£1.2** to **£1.7 Tn**. Both categories saw a growth rate of **7%**. Mineral was the only sector in the top 5 growing sectors of the UK, G7 members and the world with growth rates of 3%, 9% and 5% respectively.

## Services: 5 highest growth sectors exported by the World, G7 and UK (2017 – 2021)

| UK | | G7 (Excl-UK) | | World | |
|---|---|---|---|---|---|
| Construction | 8% | Manufacturing | 7% | ICT | 11% |
| Other business | 7% | Financial | 6% | Insurance & pension | 7% |
| ICT | 7% | ICT | 6% | Personal, cultural & recreational | 5% |
| Insurance & pension | 5% | Other business | 4% | Other business | 5% |
| Manufacturing | 3% | Intellectual property | 4% | Financial | 5% |

Between 2017 and 2021, the UK increased its exports of **construction** services from **£2 Bn** to **£4 Bn**, achieving a growth rate of **8%**. In contrast, the other G7 countries focused more on boosting their exports of **manufacturing** services, which grew from **£20 Bn** to **£27 Bn**, registering a **7%** growth rate. Meanwhile, during the same period, global exports of **information and communication technologies** services experienced the highest growth in exports, rising from **£423 Bn** to **£708 Bn** with an impressive growth rate of **11%**. ICT and business services remained among the top 5 in terms of growth for the UK, G7, as well as the world.

Source: International Economics Consulting Ltd, OECD input-output tables, UN Comtrade database. % represents growth between years 2017 and 2021

# Digital Penetration in the G7

## Industries with the Highest Digital Penetration
Source: International Economics Consulting Ltd

| | 1. Transportation and storage | 2. Wholesale trade, except of motor vehicles and motorcycles | 3. Accommodation and Food and beverage service activities | 4. Retail trade, except of motor vehicles and motorcycles | 5. Administrative and support service activities |
|---|---|---|---|---|---|
| UNITED KINGDOM | 44% | 24% | 19% | 14% | 12% |
| FRANCE | 33% | 28% | 12% | 7% | 9% |
| GERMANY | 10% | 25% | 14% | 15% | 14% |
| ITALY | 9% | NA | 16% | 5% | 14% |
| UNITED STATES | 18% | 34% | 12% | 11% | 7% |

Note: Other G7 countries' data are not available

In 2019, the United Kingdom experienced the highest level of digital penetration in the **transportation and storage** sector at **44%**, followed by **wholesale trade and accommodation** at **24%**, and **food and beverage service activities** at **19%**. Among G7 nations, the UK led in digital penetration for the transportation and storage industry. Despite lagging France, Germany, and the United States in the **wholesale trade sector**, where the US led with a **34%** digital penetration, the UK surpassed its peers in the **accommodation** and **food and beverage service** sectors.

Source: Orders received over computer networks (%) (2019), OECD.Stat

# Firms with the highest turnovers in each Industry

## TRANSPORTATION AND STORAGE

**DHL Supply Chain Limited**
*https://www.dhl.com*

**Wincanton plc**
*https://www.wincanton.co.uk/*

**Eddie Stobart Logistics plc**
*https://eddiestobart.com/*

**XPO Logistics Europe SA**
*https://europe.xpo.com/en/*

**Royal Mail plc**
*https://www.royalmail.com/*

**United Parcel Service (UPS)**
*www.ups.com*

**FedEx**
*https://www.fedex.com/*

**Maersk**
*https://www.maersk.com/*

**DHL International**
*https://www.dhl.com/*

**Kuehne + Nagel**
*https://home.kuehne-nagel.com/*

## ACCOMMODATION AND FOOD AND BEVERAGE SERVICE ACTIVITIES

**Compass Group UK & Ireland**
*https://www.compass-group.co.uk/*

**Whitbread plc**
*https://www.whitbread.co.uk/*

**Mitchells & Butlers plc**
*https://www.mbplc.com/*

**Greene King plc**
*https://www.greeneking.co.uk/*

**Travelodge Hotels Limited**
*https://www.travelodge.co.uk/*

**Compass Group PLC**
*https://www.compass-group.com/*

**Marriott International, Inc.**
*https://www.marriott.com/marriott/aboutmarriott.mi*

**Hilton Worldwide Holdings Inc.**
*https://www.hilton.com/en/corporate/*

**Accor**
*https://all.accor.com/*

**InterContinental Hotels Group plc**
*https://www.ihg.com/*

## WHOLESALE TRADE, EXCEPT OF MOTOR VEHICLES AND MOTORCYCLES

**DCC plc**
*https://www.dcc.ie/*

**Bunz plc**
*https://www.bunzl.com/*

**Wincanton plc**
*https://www.wincanton.co.uk/*

**Clipper Logistics plc**
*http://www.gxo.com*

**Grafton Group plc**
*https://www.graftonplc.com/*

**McKesson Corporation**
*https://www.mckesson.com/*

**AmerisourceBergen Corporation**
*https://www.amerisourcebergen.com/*

**Cardinal Health, Inc**
*https://www.cardinalhealth.com/*

**Sysco Corporation**
*https://www.sysco.com/*

**CHS Inc.**
*https://www.chsinc.com/*

## RETAIL TRADE, EXCEPT OFMOTOR VEHICLES AND MOTORCYCLES

**Tesco**
*https://www.tesco.com/*

**Sainsbury's**
*https://www.sainsburys.co.uk/*

**Asda**
*https://www.asda.com/*

**Amazon**
*https://www.amazon.co.uk/*

**Morrisons**
*https://www.morrisons-corporate.com/*

**Walmart Inc.**
*https://corporate.walmart.com/*

**Amazon.com**
*Amazon.com*

**Costco Wholesale Corporation**
*https:://www.costo.com*

**Schwarz Gruppe (Lidl and Kaufland)**
*https://gruppe.schwarz/*

**The Kroger Co.**
*https://www.thekrogerco.com/*

Sources: International Economics Consulting , Annual and Accounts reports, Fortune Global 500, Statista