

Statistical bulletin

# UK trade: Dec 2016

Total value of UK imports and exports of goods together with indices of volume and price, including an early monthly estimate of the value of trade in services

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# 1 . Main points

- The UK trade deficit on goods and services narrowed to £8.6 billion in Quarter 4 (Oct to Dec) 2016, following a sharp widening of the deficit in Quarter 3 (July to Sept) 2016; this narrowing was predominantly due to an increase in exports of goods to non-EU countries.
- At the commodity level, the main causes of the narrowing of the deficit in Quarter 4 were increased exports of non-monetary gold, oil and aircraft as well as a decrease in imports of non-monetary gold.
- Exports and imports of goods excluding oil and erratics have grown between each consecutive quarter of 2016; the deficit on goods excluding oil and erratics continued to widen in each quarter in 2016 because the import values increased more than exports.
- Exports of goods to both EU and non-EU countries have increased through most of 2016, but there was a much higher quarter-on-quarter growth in exports to non-EU countries in Quarter 4 2016, following a fall in Quarter 3.
- The UK's deficit on trade in goods and services was £3.3 billion in December 2016, a narrowing of £0.3 billion, which is contributing to the narrowing in Quarter 4 2016.
- Between 2015 and 2016 the UK's deficit on trade in goods and services widened to £39.4 billion, with the large deficit in Quarter 3 2016 contributing most compared with other quarters.

## 2 . Things you need to know about this release

The format and content of this publication changed from January 2016 to improve the way we publish economic statistics, with related data grouped together under new "theme" days. This will increase the coherence of our data releases and involve minor changes to the timing of certain publications. For more information, see [Changes to publication schedule for economic statistics](#). Please provide us with your feedback on the new style bulletin using our [short online survey](#), or by emailing [trade@ons.gov.uk](mailto:trade@ons.gov.uk).

Trade is measured through both imports and exports of goods and/or services. Data are supplied by over 30 sources including several administrative sources, HM Revenue and Customs (HMRC) being the largest. The quality of the HMRC source data for trade in goods is high in terms of the timeliness, comprehensiveness and coverage.

For trade in services, data are less timely than trade in goods estimates, sourced mainly from survey data and a variety of administrative sources. The services data are processed quarterly, so monthly forecasts are made to provide a complete trade total. This means latest months are uncertain.

All trade values discussed in the bulletin are in current prices unless otherwise stated. The time series dataset also includes chained volume measures (series for which the effects of inflation have been removed), and these are indexed to form the volume series presented in the publication tables.

Trade statistics for any one month can be erratic. For that reason, we recommend comparing the latest 3 months against the preceding 3 months and the same 3 months of the previous year. However, we also recognise the importance to users of an early estimate of trade; therefore, we continue to produce a monthly estimate.

Oil and other "erratic" commodities can make a large contribution to trade in goods, but often mask the underlying trend in the export or import values due to their volatility. The "erratics" series includes ships, aircraft, precious stones, silver and non-monetary gold. Therefore, we also publish data exclusive of these commodities, which may provide a better guide to the emerging trade picture. We also provide a separate analysis of oil because it is subject to erratic price fluctuations and therefore volume data are provided in metric tonnes as well as value (£ million).

UK trade is part of the short-term economic indicators theme day, alongside the Index of Production (IoP), which also includes the proportion of turnover from exports, by industry. However, this is not always comparable with UK trade statistics, for a number of reasons. These include, but are not limited to:

- different data sources – IoP is based on a survey of businesses; UK trade in goods uses administrative data collected by HMRC
- different concepts and measures – IoP reports the value of exports as a proportion of the industry's turnover; UK trade in goods statistics reports the change in ownership between the UK and other countries
- time lag – there can be time lags between the sale of a product reported in the IoP and the movements of that product reported by UK trade

Further information on the IoP and how that index is compiled can be found in the 'Things you need to know' section of the [IoP release](#).

This release has a revisions period back to January 2016 for trade in goods; no periods are open for revisions for trade in services. This means that we have incorporated additional data for these periods. Revisions can be made for a variety of reasons, the most common include:

- late responses to surveys and administrative sources, or changes to original returns
- forecasts being replaced by actual data
- revisions to seasonal adjustment factors, which are re-estimated every month and reviewed annually

This revisions period is consistent with the [National Accounts revisions policy](#).

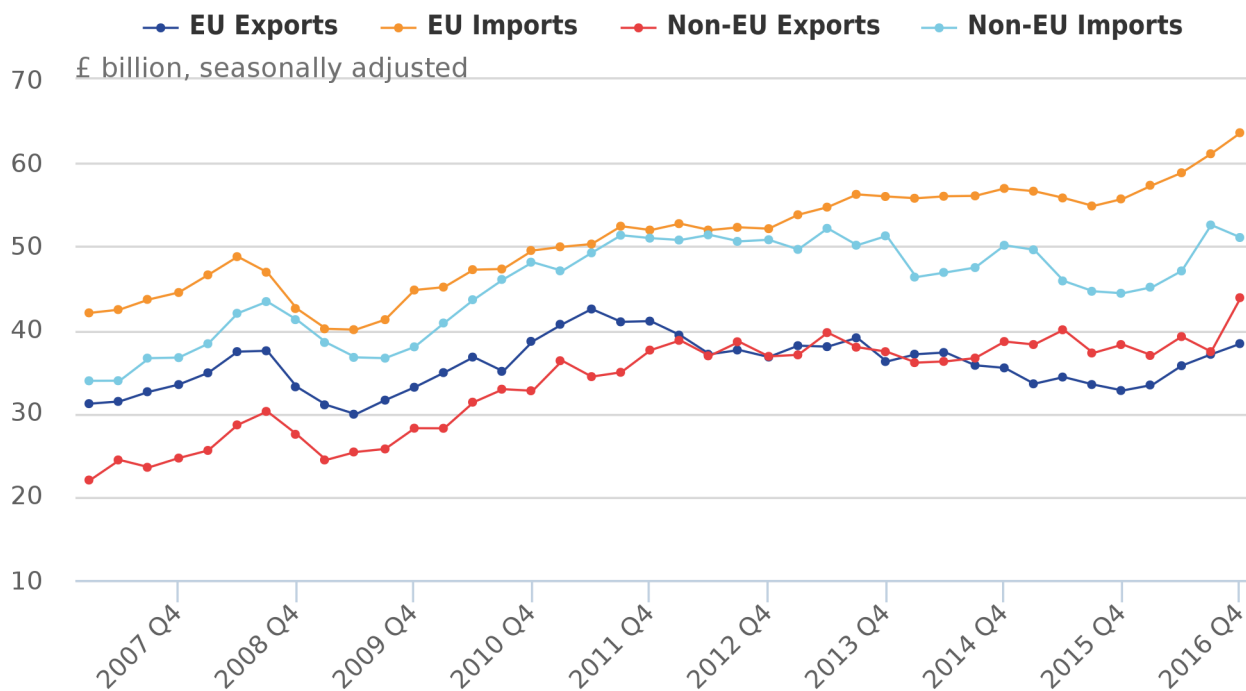
Due to a series of errors during 2014, the UK Statistics Authority [suspended the National Statistics designation of UK trade](#) on 14 November 2014. The Authority's [reassessment of UK trade](#) against the [Code of Practice for Official Statistics](#) has been completed. We have now addressed all of the requirements of the reassessment of UK trade. We have invested more resource into improving and developing the UK trade statistics, which is [supported by the UK Statistics Authority](#). While developing, and delivering against, our [development plan](#), we will continue to work with the Assessment Team to regain National Statistics status for UK trade statistics.

### **3 . UK Trade deficit on goods and services narrowed to £8.6 billion in Quarter 4 2016, as exports of goods to non-EU countries increased**

Between Quarter 3 (July to Sept) 2016 and Quarter 4 (Oct to Dec) 2016 the deficit on goods and services narrowed by £5.6 billion to £8.6 billion, following a large widening between Quarter 2 (Apr to June) 2016 and Quarter 3 2016 to £14.1 billion. This reflects an increase in exports in goods of £7.8 billion, mainly due to an increase in exports of goods to non-EU countries, following a drop in Quarter 3 2016. The narrowing also reflects a smaller increase in imports of £2.2 billion in Quarter 4 2016, following a much larger increase between Quarter 2 2016 and Quarter 3 2016.

Exports of goods to both EU and non-EU countries increased through most of 2016, but there was much higher quarter-on-quarter growth in exports to non-EU countries to Quarter 4 2016, following a fall in Quarter 3. Imports from EU and non-EU countries also increased through most of 2016. However, Quarter 4 2016 saw a decrease in imports from non-EU countries following a large increase in Quarter 3 2016.

**Figure 1: Exports quarterly contribution to growth by commodity, Quarter 4 (October to December) 2016**



Source: Office for National Statistics

Exports of goods to non-EU countries rose by 17.3% to £43.8 billion between Quarter 3 2016 and Quarter 4 2016. There was a smaller increase of 3.5% for exports to the EU, to £38.3 billion for the same period.

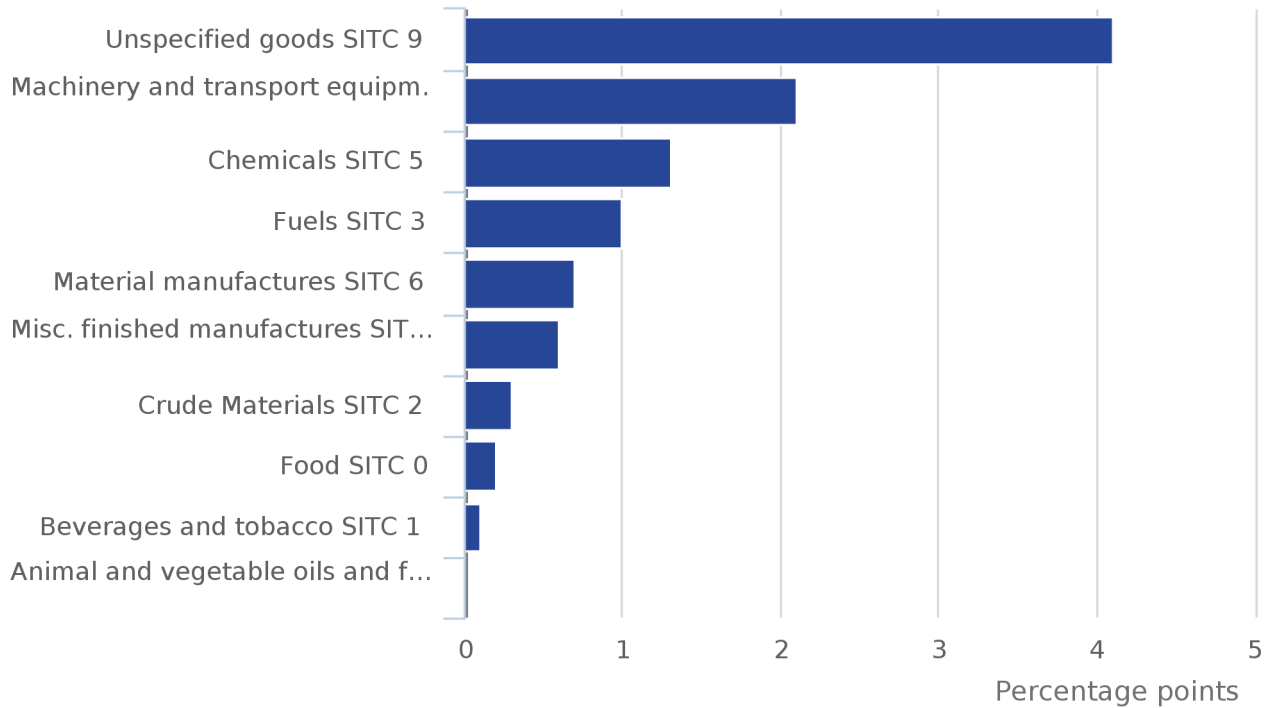
Between Quarter 3 2016 and Quarter 4 2016 imports of goods from EU countries increased by 4.1% to £63.6 billion, with increases across all commodity groups. Imports to non-EU countries fell by 2.9% to £51.1 billion over the same period.

## 4 . What was behind the narrowing of the trade in goods deficit in Quarter 4 (Oct to Dec) 2016?

The trade in goods deficit narrowed to £32.5 billion in Quarter 4 (Oct to Dec) 2016 from £39.2 billion in Quarter 3 (July to Sept) 2016. Exports of goods increased by 10.4% quarter-on-quarter, whereas imports of goods increased by less (0.9%) during the same period. “Erratic” commodities such as non-monetary gold, aircraft and oil can make a large contribution to trade in goods, but often mask the underlying trend.

Figure 2 shows the contribution of each commodity group to the growth in exports for this period. The main commodities contributing to this growth, in particular exports to non-EU countries, were unspecified goods (including non-monetary gold), machinery and transport equipment (particularly aircraft, mechanical machinery and cars), chemicals and oil.

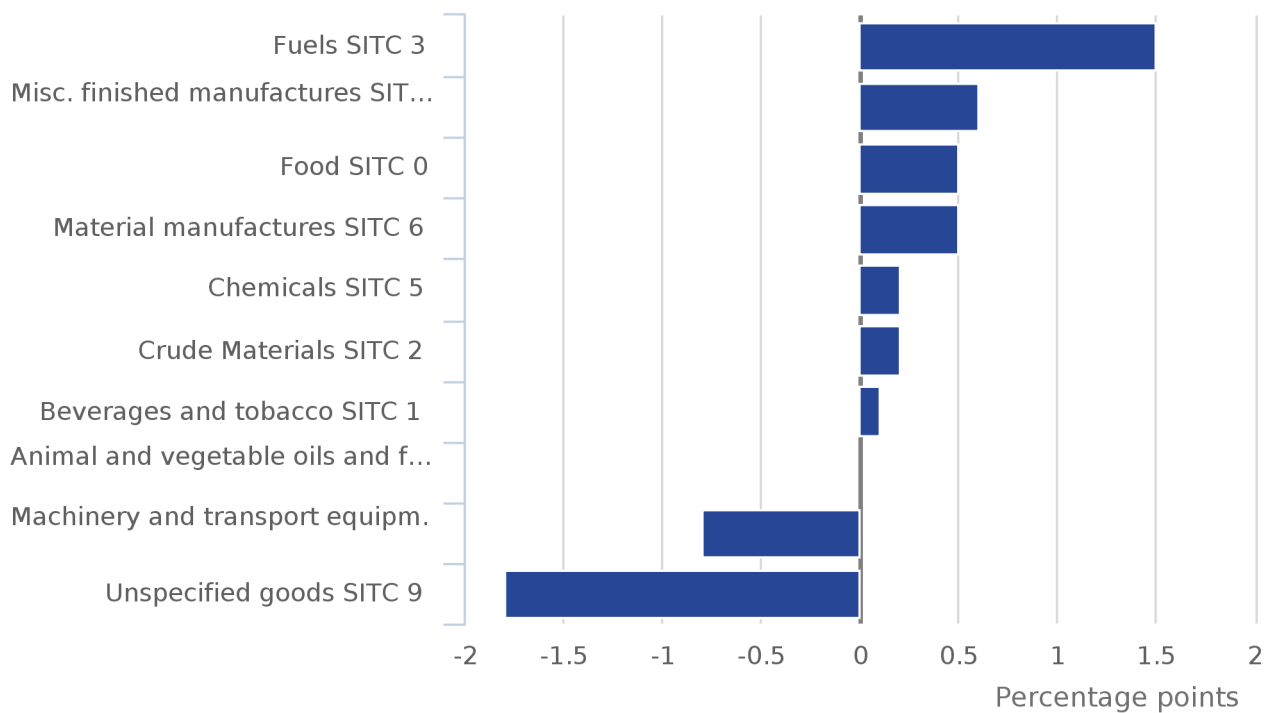
**Figure 2: Exports quarterly contribution to growth by commodity, Quarter 4 (October to December) 2016**



Source: Office for National Statistics

Figure 3 shows the contribution of each commodity group to the growth in imports for this period. The largest increase was in the import of oil from non-EU countries. The increases in imports were partially offset by decreases in imports of unspecified goods (including non-monetary gold), and aircraft from non-EU countries.

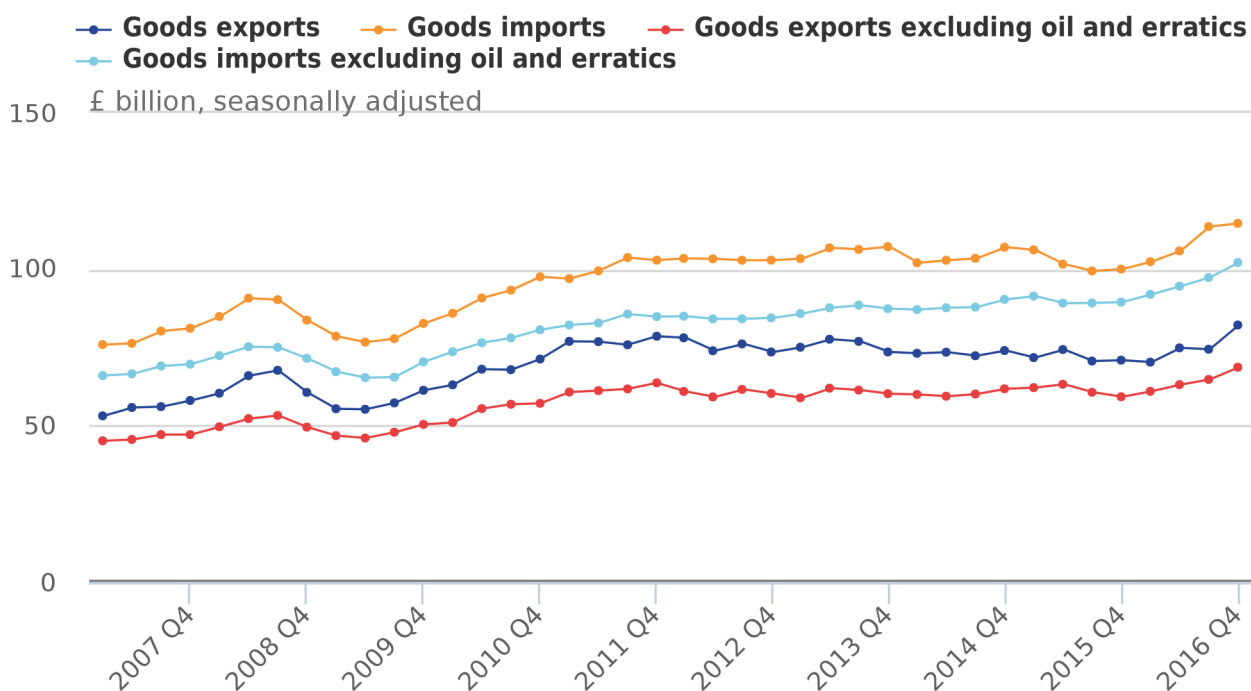
**Figure 3: Imports quarterly contribution to growth by commodity, Quarter 4 (October to December) 2016**



Source: Office for National Statistics

Exports of goods excluding oil and erratics<sup>1</sup> (Figure 4) has grown between each consecutive quarter of 2016. However, the deficit on goods continued to widen each quarter in 2016 as the import values are increasing more than exports.

**Figure 4: UK trade in goods including and excluding oil and erratics<sup>1</sup>, Quarter 1 (January to March) 2007 to Quarter 4 (October to December) 2016**



Source: Office for National Statistics

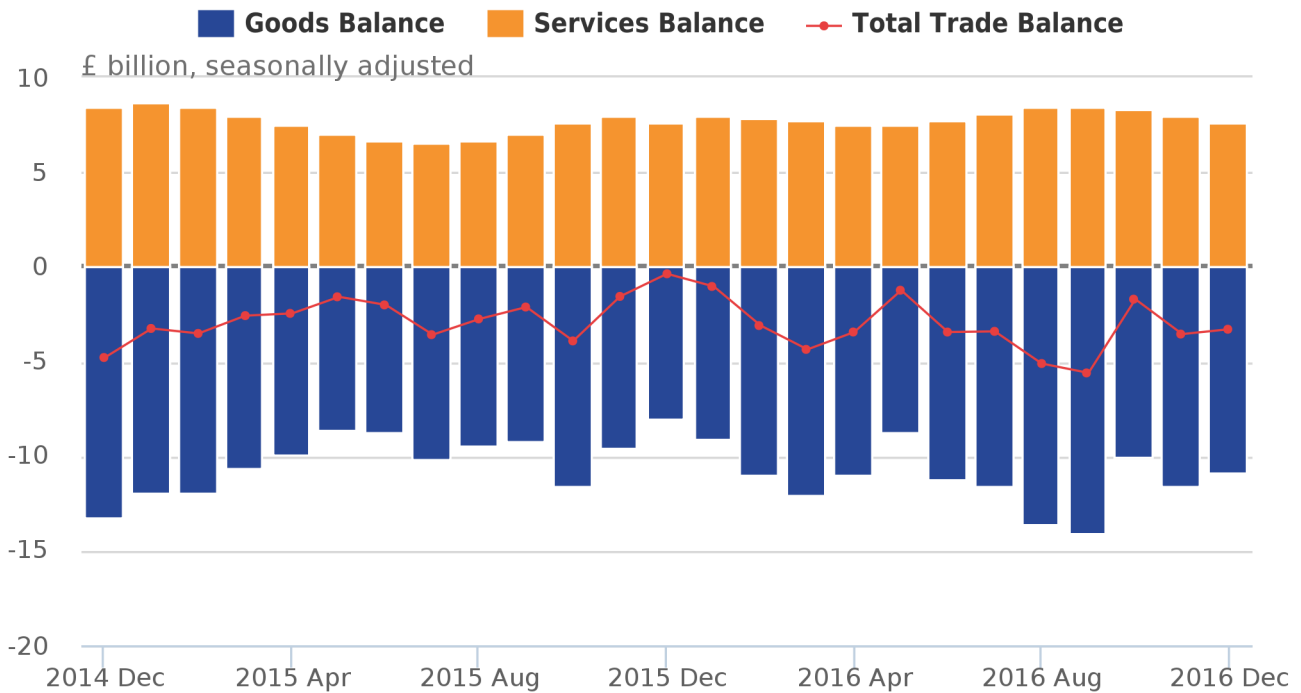
**Notes for: What was behind the narrowing of the trade in goods deficit in Quarter 4 (Oct to Dec) 2016?**

1. These are defined as non-monetary gold, precious stones, silver, ships and aircraft.

## 5 . How did UK trade in December contribute to the narrowing of the trade deficit in Quarter 4 (Oct to Dec) 2016?

The UK's deficit on trade in goods and services was £3.3 billion in December 2016, a narrowing of £0.3 billion from the revised November 2016 deficit of £3.6 billion. This was mainly due to an increase in exports of goods to non-EU countries of £1.1 billion.

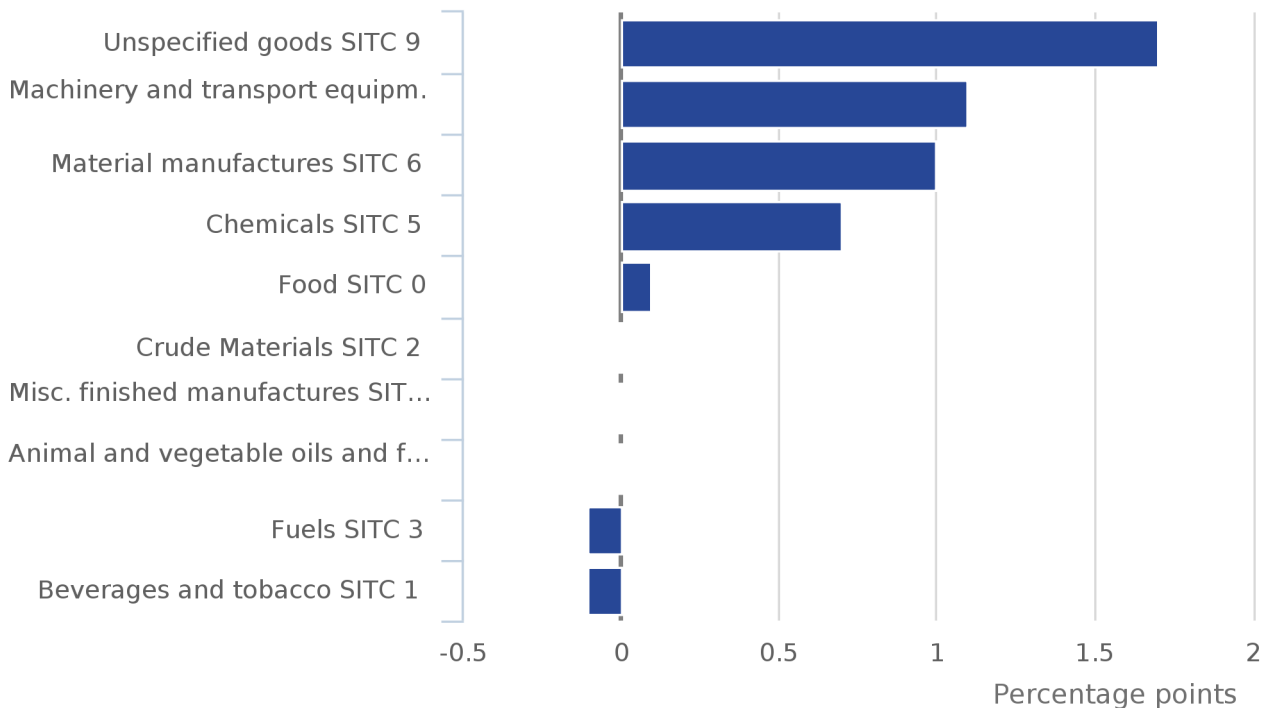
**Figure 5: Balance of UK trade, December 2014 to December 2016**



Source: Office for National Statistics

Exports of goods increased by 4.4% between November 2016 and December 2016. Figure 6 shows the contribution of each commodity group to the growth in exports between November 2016 and December 2016. The growth is mainly due to increased exports of erratic commodities, in particular non-monetary gold (classified within unspecified goods). There were also increases in exports of aircraft (also an erratic commodity) to EU and non-EU countries, non-ferrous and other metals to non-EU countries, and chemicals to non-EU countries.

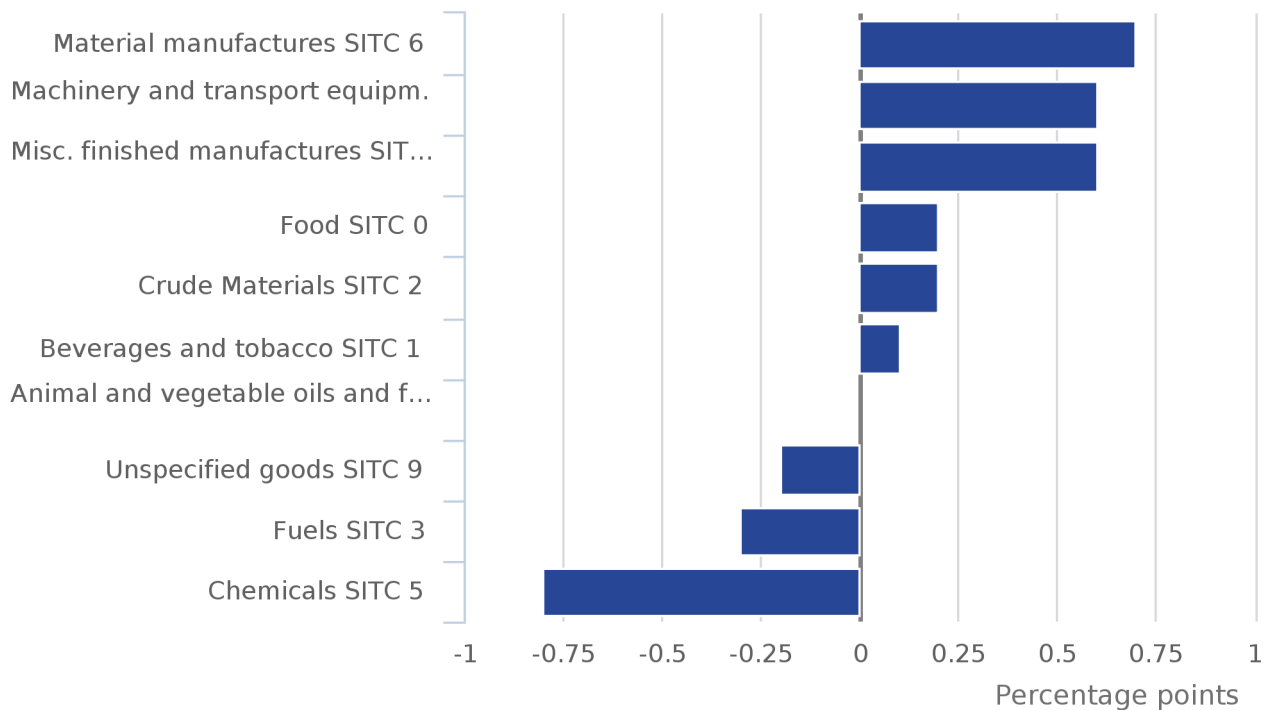
**Figure 6: Exports monthly contribution to growth by commodity, December 2016**



Source: Office for National Statistics

Imports of goods increased by 1.4% between November 2016 and December 2016. Figure 7 shows the contribution of each commodity group to the growth in imports in the month. There were increases in the imports of material manufactures (including non-ferrous metals, iron and steel), machinery, road vehicles (other than cars), and miscellaneous finished manufactures (including jewellery). These increases were partially offset by decreases in the imports of oil and chemicals.

**Figure 7: Imports monthly contribution to growth by commodity, December 2016**



Source: Office for National Statistics

## 6 . What was the impact of sterling on import and export prices?

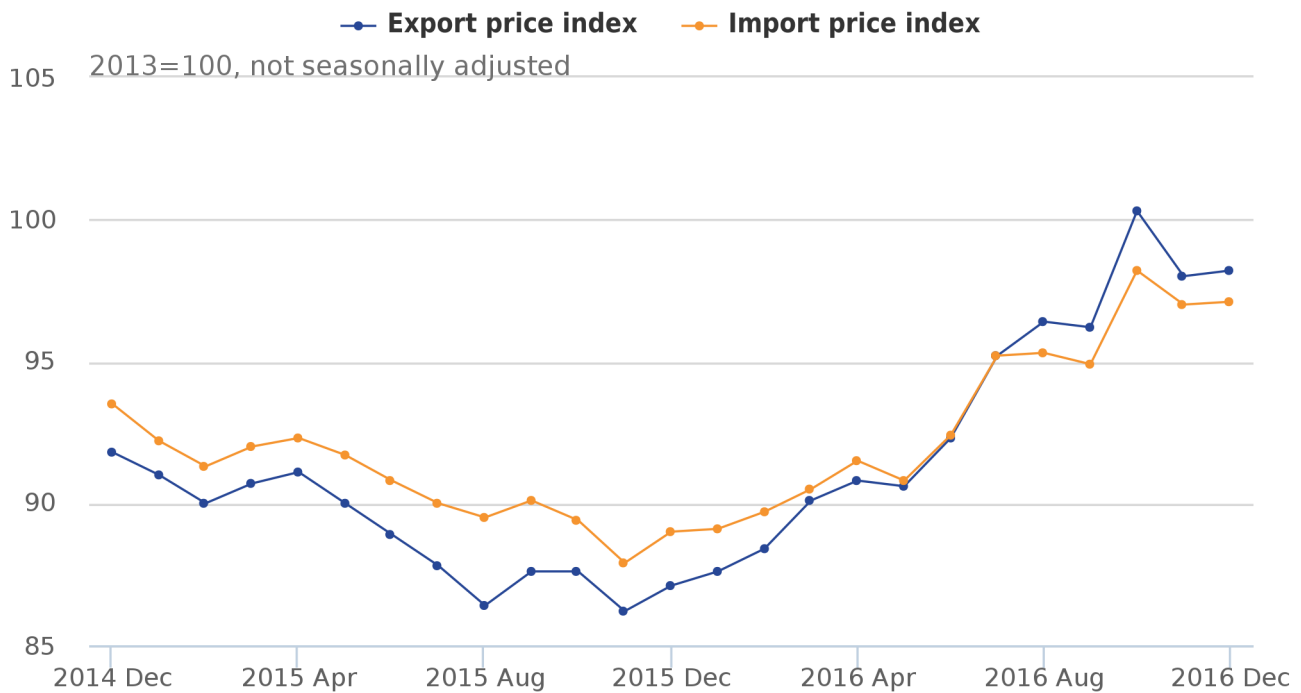
Following the EU referendum, the value of sterling fell sharply against a basket of currencies at the end of June 2016 and into July 2016. Recent depreciation has coincided with upward price pressure on both export and import prices.

Between Quarter 3 (July to Sept) 2016 and Quarter 4 (Oct to Dec) 2016, export prices increased by 3.0% and import prices increased by 2.4%. These growth rates are not as high as seen between Quarter 2 (Apr to June) 2016 and Quarter 3 2016, but continue the trend in both export and import prices, with both having consecutive quarterly growth-rate increases during 2016.

However, the value of sterling increased in November and December of 2016, and was 2.1% higher in December 2016 compared with the November 2016 average, but remains 14.5% lower when compared with December 2015. Comparing November 2016 and December 2016, export prices increased slightly by 0.2% and import prices increased by 0.1%.



**Figure 8: UK trade in goods export and import price indices, December 2014 to December 2016**



Source: Office for National Statistics

## 7 . UK trade deficit on goods and services widened to £39.4 billion between 2015 and 2016

Between 2015 and 2016, the total trade deficit widened by £9.6 billion to £39.4 billion as imports increased more than exports. There was a £29.3 billion increase in imports of goods, with 61.2% of this rise coming from EU countries.

Quarter 3 (July to Sept) 2016 had an unusually large total trade deficit of £14.1 billion, when compared with the other 3 quarters of 2016, which had deficits of between £8.1 billion and £8.6 billion. Between Quarter 2 (Apr to June) 2016 and Quarter 3 2016 there was a £5.5 billion increase in imports from non-EU countries, with a £2.6 billion increase in unspecified goods and a £1.8 billion increase in machinery and transport equipment (combined).

Between 2015 and 2016 the main contributor to the increase in exports of trade in services was other business services, followed by insurance and pension services, with travel showing the largest decrease for the year. For the same period, imports of services also saw an increase, with travel being the main contributor, followed by financial services, which was partially offset by a decrease in other business services (Table 1).

**Table 1: Change in trade in services product values between 2015 and 2016**

Service product	Exports (£m)		Service product	Imports (£m)	
	2016 Value	Annual change		2016 Value	Annual change
Other business	68,987	4,765	Travel	46,277	4,869
Insurance and pension	17,919	3,105	Financial	11,616	1,746
Personal, cultural and recreation	4,684	1,883	Transport	22,299	668
Telecommunications, computer and information	19,532	1,697	Government	2,967	233
Financial	54,772	1,121	Personal, cultural and recreation	3,483	110
Transport	26,636	993	Telecommunications, computer and information	10,233	-18
Government	2,658	70	Insurance and pension	161	-33
Manufacturing and Maintenance	3,985	-295	Manufacturing and Maintenance	1,449	-68
Construction	1,175	-420	Charges for the use of intellectual property	8,297	-171
Charges for the use of intellectual property	12,064	-612	Construction	839	-367
Travel	28,768	-989	Other business	38,072	-1,206
<b>Total Exports</b>	<b>241,180</b>	<b>11,318</b>	<b>Total Imports</b>	<b>145,693</b>	<b>5,763</b>

Source: Office for National Statistics

Between 2015 and 2016 both imports and exports of goods also increased. The contributor to the increase in exports of goods was primarily machinery and transport equipment, with only material manufactures and fuels seeing a decrease for the period. Similarly, the main contributor to the increase of imports for the same period was machinery and transport equipment, followed by chemicals, which were offset by a decrease in fuels (Table 2).

**Table 2: Change in trade in goods commodity values between 2015 and 2016**

Goods commodity	Exports (£m)		Goods commodity	Imports (£m)	
	2016 Value	Annual change		2016 Value	Annual change
Machinery and transport equipment SITC 7	120,503	12,254	Machinery and transport equipment SITC 7	169,385	17,557
Food SITC 0	12,919	1,352	Chemicals SITC 5	56,202	3,582
Misc. finished manufactures SITC 8	42,967	1,297	Misc. finished manufactures SITC 8	69,743	2,970
Beverages and tobacco SITC 1	7,103	498	Material manufactures SITC 6	44,947	2,902
Crude Materials SITC 2	6,079	413	Food SITC 0	33,755	2,637
Chemicals SITC 5	52,291	359	Unspecified goods SITC 9	9,528	2,587
Unspecified goods SITC 9	10,478	221	Beverages and tobacco SITC 1	7,679	289
Animal and vegetable oils and fats SITC 4	430	10	Crude Materials SITC 2	9,848	247
Material manufactures SITC 6	26,522	-546	Animal and vegetable oils and fats SITC 4	1,179	97
Fuels SITC 3	22,413	-1,737	Fuels SITC 3	34,314	-3,592
Total Exports	301,705	14,121	Total Imports	436,580	29,276

Source: Office for National Statistics

## 8 . Links to related statistics

Supplementary quarterly data analysed by product according to the [UK trade in goods by classification of product by activity \(CPA 2008\)](#) are also available.

The complete run of data in the tables of this statistical bulletin are also available to view and download in other electronic formats free of charge using our [time series data](#) website service. You can download the complete statistical bulletin in a choice of formats, or view and download your own selection of individual series.

Data are available by commodity and partner country separately, but not commodity by partner country. However, one of our objectives in the [UK trade development plan](#) is to produce these breakdowns in the future. Commodity by country breakdowns are available via [HM Revenue and Customs](#), but on an Overseas Trade Statistics (OTS) basis only. These aggregate estimates will differ slightly from those that are published by us on a [Balance of payments \(BoP\)](#) basis, as the 2 sets of data are compiled using different concepts.

We now publish the [proportion of sales that are exports in the manufacturing industries](#) as an Excel table to accompany the Index of Production release. The proportion of export sales have been published for industries collected by the Monthly Business Survey where the value of exports are reported as well as the total turnover. These are non-seasonally adjusted series.

The [Economic review: November 2016](#), published on 3 November 2016, contains information on trade post-EU referendum and the contribution of trade to gross domestic product (GDP).

On 28 October 2016, we published an article containing information on trade – [Why has the value of the pound been falling and what could this mean for people in the UK?](#)

On 5 September 2016, we published a short story on the [UK trade and investment relationship with the USA](#). This is part of a series which began in June 2015; previous topics cover [South America](#), [China](#) and [Africa](#).

Additional statistical data and analyses for UK trade statistics that have not been included in our standard publications are available [on our website](#).

## 9 . What's changed in this bulletin?

The [trade development plan](#) was published for consultation in March 2016. We are grateful for the responses received. We are undertaking and applying ongoing improvements to UK trade statistics in line with this development plan and also to address anticipated future demands.

We have now published an [updated UK trade development plan](#), which reflects the feedback received from the consultation in March 2016 and new requirements identified with stakeholders since then.

## 10 . Quality and methodology

Trade is measured through both imports and exports of goods and/or services. Data are supplied by over 30 sources including several administrative sources, HM Revenue and Customs (HMRC) being the largest.

This monthly release contains tables showing the total value of trade in goods together with index numbers of volume and price. Figures are analysed by broad commodity group (values and indices) and according to geographical area (values only). In addition, the UK trade statistical bulletin also includes early monthly estimates of the value of trade in services.

Further qualitative data and information can be found in the attached reference tables. This includes data on:

- [response rates](#)
- [revision triangles](#)

Detailed methodological notes are published in the [UK Balance of Payments, The Pink Book: 2016](#).

The [UK trade methodology web pages](#) can now be found on our website. These have been developed to provide detailed information about the methods used to produce UK trade statistics.

The [UK trade Quality and Methodology Information document](#) contains important information on:

- the strengths and limitations of the data and how it compares with related data
- uses and users of the data
- how the output was created
- the quality of the output including the accuracy of the data

