

Compendium

Trade in goods



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1 . Trade in goods

Trade in goods shows the extent of import and export activity between the UK and the rest of the world. By definition, trade in goods covers:

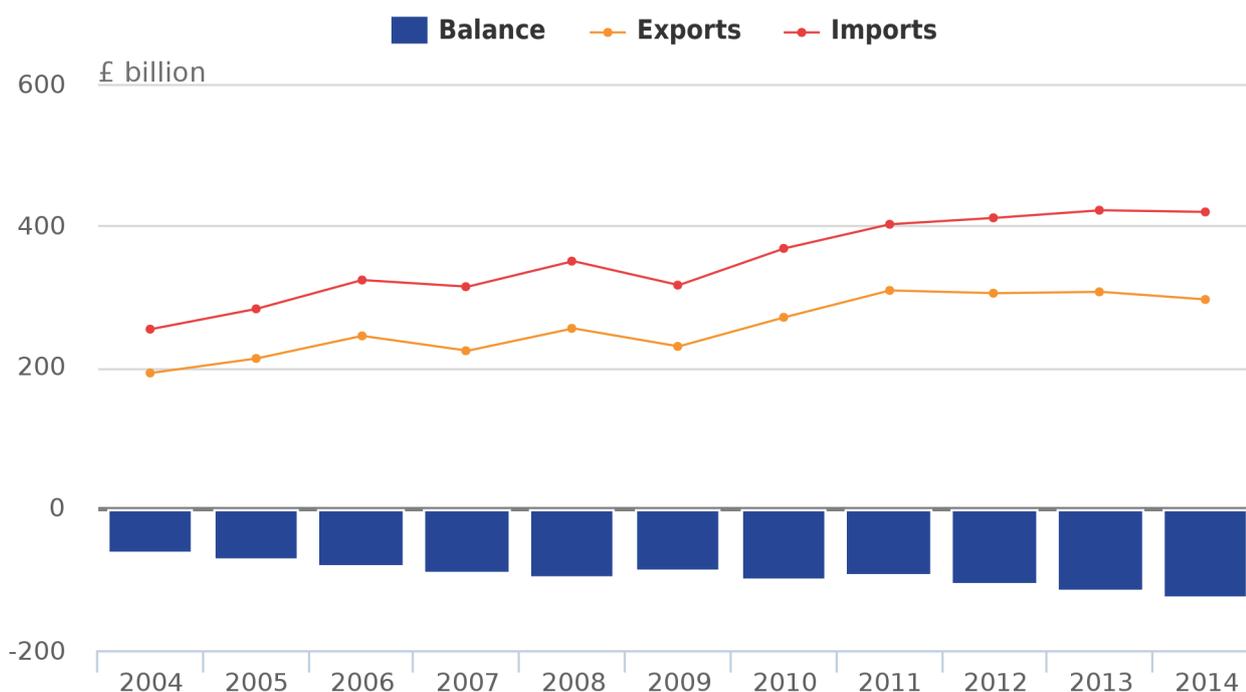
- transactions in general merchandise
- goods for processing
- repairs on goods
- goods procured in ports by carriers
- non-monetary gold

General merchandise (with some exceptions) refers to moveable goods where real or imputed changes of ownership happen.

2 . Intra-community MTIC Fraud

When interpreting the trade figures, users should be aware that both exports and imports are affected by VAT missing trader intra-community (MTIC) fraud. This led to an increase in both imports and exports in 2006, and a subsequent fall in 2007, which was associated with the introduction of the UK's reverse charge derogation. This was an anti-fraud measure relating to mobile phones and microchips, which placed the responsibility with purchasers rather than suppliers to account for the VAT associated with these goods. (For more information on MTIC fraud, see the Methodological notes relating to chapter 2).

Figure 2.1: UK trade in goods, 2004 to 2014



Source: Office for National Statistics

In 2014, the deficit on trade in goods widened by £8.4 billion to £123.7 billion. This was the largest annual deficit on record. The widening was due to a decrease in exports, partially offset by a decrease in imports. Exports decreased by 3.5% to £295.4 billion from £306.2 billion in 2013. Imports decreased by 0.6% to £419.1 billion from the record high of £421.5 billion in 2013.

Figure 2.2: UK export and import volume indices, 2004 to 2014

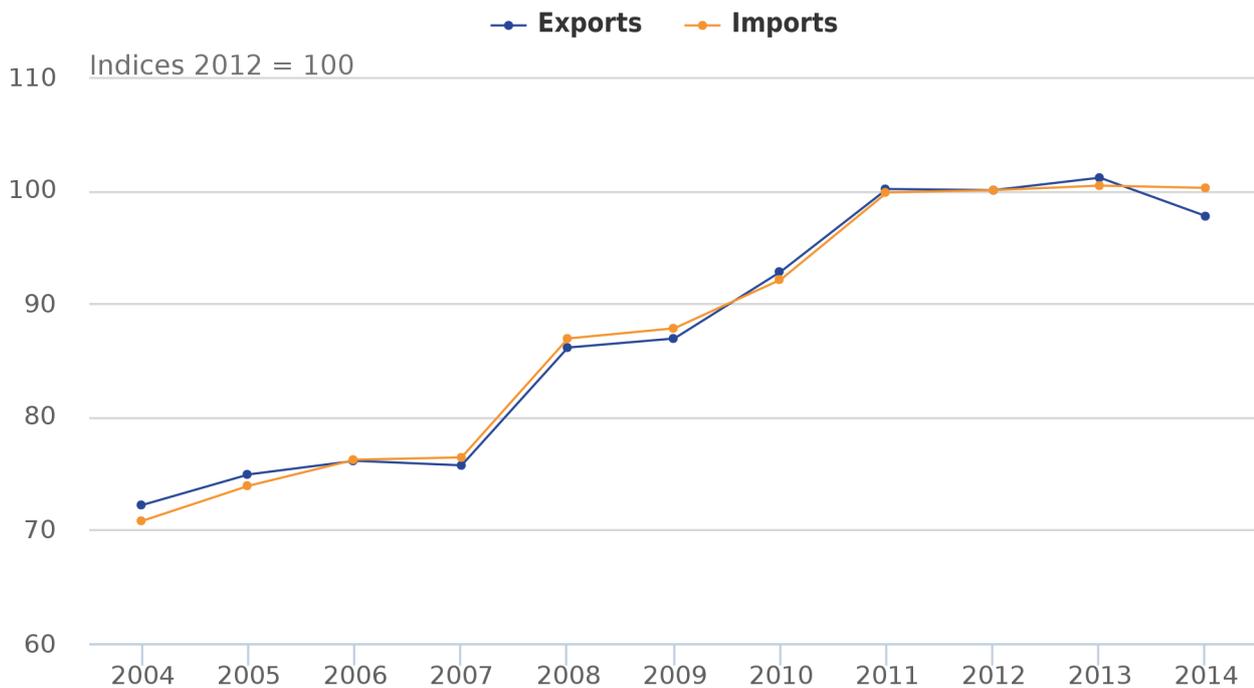


Source: Office for National Statistics

Between 2013 and 2014, the export volume index rose by 1.2%. The rise mainly reflected a 2.9% growth in exports of finished manufactures, of which, almost all of the growth was attributed to exports of cars.

The import volume index showed continued recovery in 2014, increasing by 4.0% from 2013 and reaching its highest level on record. The growth in import volume primarily reflects an increase in finished manufactured goods and, again, cars.

Figure 2.3: UK export and import price indices, 2004 to 2014

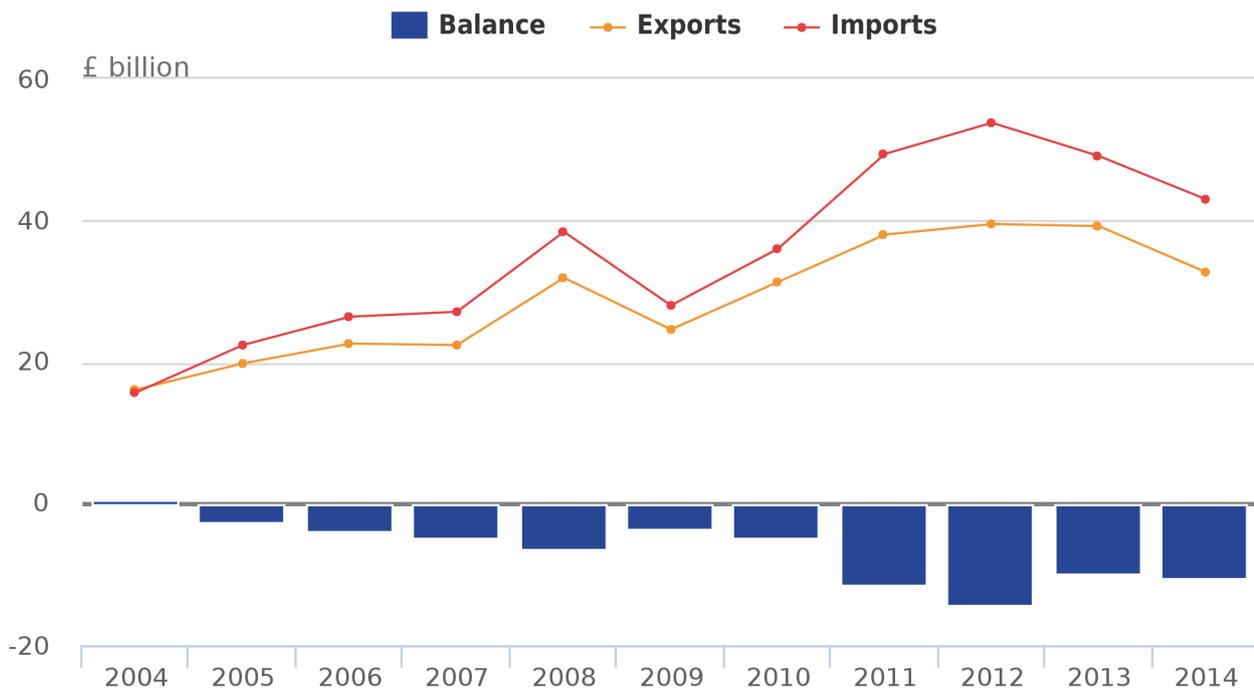


Source: Office for National Statistics

Export prices fell by 3.4% between 2013 and 2014, reaching the lowest level since 2010. The fall in export prices mainly reflects a 9.2% fall in oil export prices. The fall in the oil export price index contributed almost a third of the overall decrease.

Import prices fell by 0.2% between 2013 and 2014. The overall fall is mainly attributed to oil import prices, which fell 6.1% from 2013. The fall in oil prices was partially offset by an increase in semi-manufactured goods; specifically material manufactures.

Figure 2.4: UK trade in oil, 2004 to 2014



Source: Office for National Statistics

Between 2013 and 2014, the deficit of trade in oil widened to £10.4 billion. Exports of oil fell by £6.5 billion to £32.7 billion. The decrease in the export of oil accounted for almost three-fifths of the total annual fall in exports. Imports of oil fell by £6.1 billion to £43.0 billion over the same period.

Since 2005, the balance of oil has been in deficit, reaching a record £14.3 billion in 2012. In 2014, both exports and imports reached their lowest levels since 2010. These falls reflect a drop in the price of oil globally.

Between 2013 and 2014, the export volume index of oil fell by 3.0%. The import volume index of oil rose by 2.2% over the same period, contradicting the fall in value of oil imports but supporting the decrease in the import price of oil.

3 . Trade by commodity

In 2014, manufactured goods accounted for around three quarters of all goods exported and imported. Finished manufactures alone accounted for around 50% of both total exports and imports; this mainly reflects strength in the machinery and transport equipment industry.

Between 2013 and 2014, exports of finished manufactures rose by £1.0 billion to a record high of £147.5 billion. Over the same period, imports of finished manufactures rose by £10.1 billion to a record of £210.8 billion. Again, this rise is mainly due to the machinery and transport equipment industry.