

Article

The impacts of EU exit and the coronavirus on UK trade in goods

An analysis of UK trade in goods in the context of the ongoing coronavirus (COVID-19) pandemic and the end of the EU transition period on 31 December 2020.

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Correction

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We have corrected an error in Figure 7. The previous version labelled the data points and direction incorrectly as Q1 following year and Q4 start year. The data remain unchanged, the direction of movement and labels have changed.

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1 . Main points

- Total trade in goods (imports plus exports) from non-EU countries surpassed that from EU countries in Quarter 1 (January to March) 2021.
- Total trade in goods with EU countries decreased by 23.1% and with non-EU countries decreased by 0.8% comparing Quarter 1 2021 with Quarter 1 2018.
- Exports to Ireland saw the greatest proportionate fall of the UK's top exporting partners after the EU transition period.
- Imports from Germany have declined since April 2019, coinciding with increased uncertainty around EU exit and, later in 2020, the coronavirus (COVID-19) pandemic.
- The UK has imported more goods from China than from any other country since Quarter 2 (April to June) 2020.
- The early impact of the pandemic seen in Quarter 1 2020 disproportionately affected exports to the United States; decreases in exports to the United States in Quarter 1 2021 are aligned with decreases seen across non-EU countries.

2 . Total trade in goods (exports plus imports) with EU countries

The continued global impact of the coronavirus (COVID-19) pandemic, combined with uncertainty surrounding the effect of EU exit have contributed to increased volatility in UK trade in goods across 2020 and into early 2021. It is difficult to fully detangle the impact the coronavirus and EU exit had on UK and international trade while they are still having an influence. We therefore compare with 2018 data for longer-term comparisons as the most recent period in which relatively stable trade patterns were observed.

We draw on published, seasonally adjusted [official trade statistics](#) from Quarter 1 (January to March) 2018 to Quarter 1 2021; and non-seasonally adjusted trade data at the country by commodity level from January 2020 to March 2021 in dialogue with timely insights in business impacts provided by the [Business Insights and Conditions Survey](#) (BICS) and [real time indicators of UK economic activity](#). The data provided by BICS and real time indicators give up-to-date insight into potential movements in trade into May 2021.

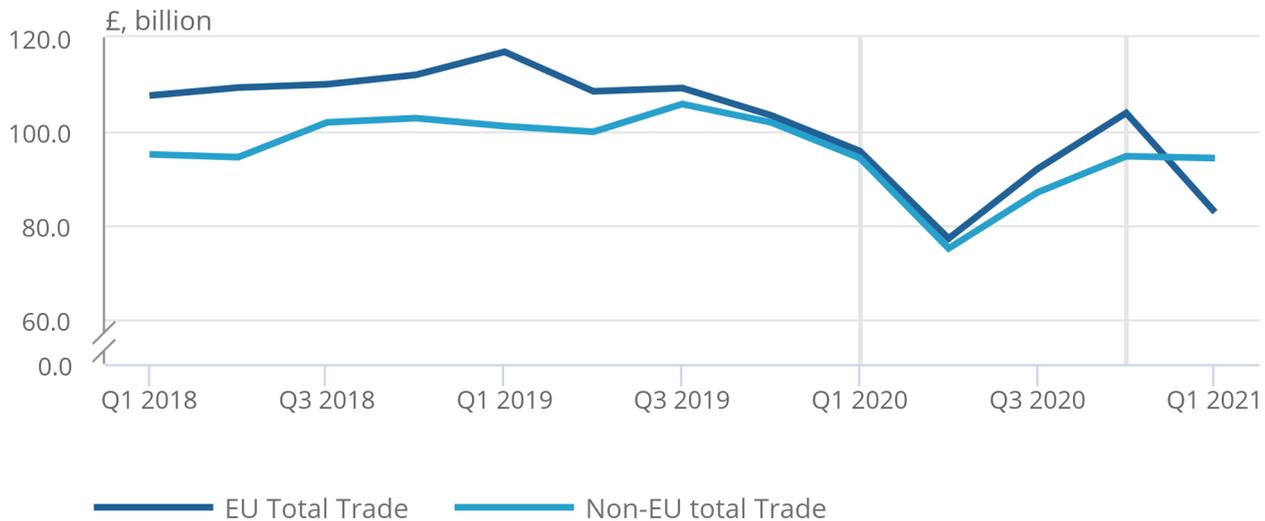
Total trade in goods with EU countries decreased by 23.1% and with non-EU countries decreased by 0.8% comparing Quarter 1 2021 with Quarter 1 2018. Between Quarter 4 (October to December) 2020 and Quarter 1 2021, total trade in goods with EU countries, excluding precious metals, decreased by 20.3%. In the same period total trade in goods with non-EU countries decreased by a lesser 0.4%. There is [evidence of bilateral stockpiling](#) of goods in Quarter 4 2020 in the lead-up to the end of the EU transition period. As such, the decreases seen in Quarter 1 2021 should be taken in the context of the increases seen in Quarter 4 2020 (Figure 1). Specific instances of stockpiling will be explored in more detail in [Section 3](#).

Figure 1: Total trade in goods from non-EU countries surpassed EU countries in Quarter 1 2021

Total trade in goods (exports plus imports), excluding precious metals, Quarter 1 (January to March) 2018 to Quarter 1 (January to March) 2021

Figure 1: Total trade in goods from non-EU countries surpassed EU countries in Quarter 1 2021

Total trade in goods (exports plus imports), excluding precious metals, Quarter 1 (January to March) 2018 to Quarter 1 (January to March) 2021



Source: Office for National Statistics - UK trade statistics, current prices, seasonally adjusted

Notes:

1. For further discussion of this please see the [March 2021 ONS trade bulletin](#).
2. For more information regarding the impact of seasonal adjustment on official trade statistics see [Section 6](#) and this [ONS blog](#).

BICS data report that, of currently trading businesses that have reported challenges at the end of February 2021, the largest proportion of businesses' reported main cause of challenge was the end of the EU transition period. This has risen from mid-December 2020 (Figure 2). In contrast, those reporting the coronavirus as their main challenge fell over the same period.

While this evidence does not provide a causal link between the end of the EU transition period and the decrease in total trade observed in the first quarter of 2021, it does provide insight into whether traders are experiencing more challenge with the coronavirus or the end of the transition period, and how these have changed over time.

Figure 2: Businesses reporting that the end of the EU transition period was their main importing or exporting challenge increased between the end of December 2020 and March 2021

Percentage of currently trading businesses that have reported experiencing challenges, weighted by count, December 2020 to April 2021

Notes:

1. Responses to the BICS questions: 'What was the main cause of these exporting challenges?' and 'What was the main cause of these importing challenges?'
2. Caution should be taken when interpreting these results as only a small number of businesses responded.
3. Data before December are unavailable because of changes in the wording of the question at this time.

[Download the data](#)

3 . Trade of goods with EU countries

Imports of goods from EU countries, excluding precious metals, fell by £14.0 billion (21.7%) between Quarter 4 (October to December) 2020 and Quarter 1 (January to March) 2021, while exports fell by £7.1 billion (18.1%). These falls were consistent across a number of trading partners, such as Ireland and Germany.

The disruption to trade is evident from data on UK cargo and tanker visits (seven-day moving average, seasonally adjusted) and in the change in large vehicle counts around ports as shown in Figures 3 and 4.

Figure 3: The number of weekly cargo and tanker ship visits to UK ports in January 2021 was on average 20.4% lower than January 2020 reflecting disruption in trade

UK cargo and tanker weekly visits (seven-day moving average, seasonally adjusted)

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UK cargo and tanker weekly visits (seven-day moving average, seasonally adjusted)



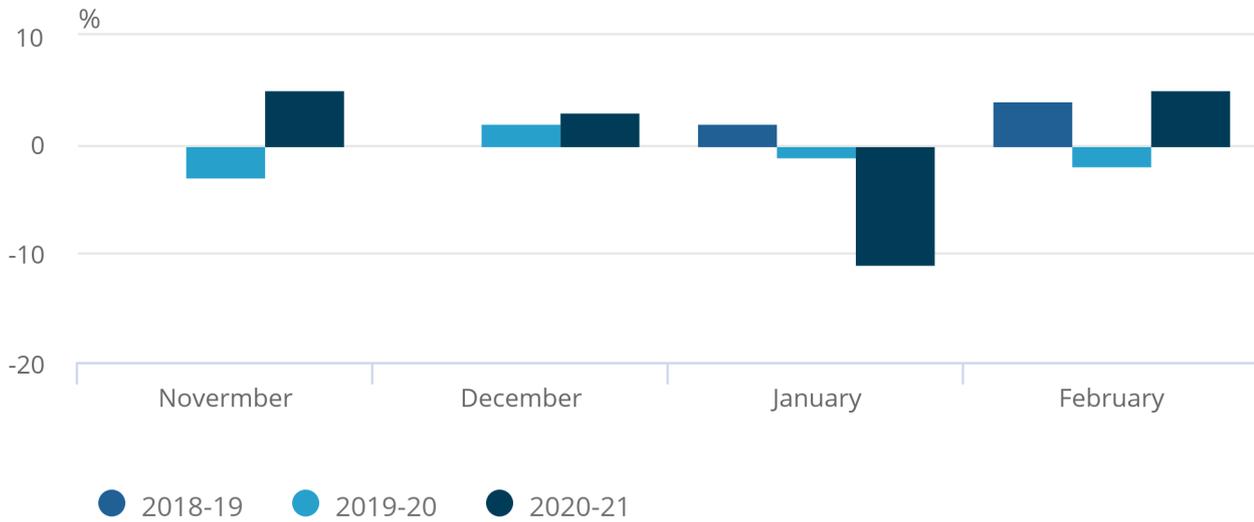
Source: exactEarth

Figure 4: The number of large vehicle counts around UK ports fell significantly during January 2021

Monthly change in average sensor counts of large vehicles (vehicles over 11.66 metres in length) around UK ports, November 2018 to February 2021

Figure 4: The number of large vehicle counts around UK ports fell significantly during January 2021

Monthly change in average sensor counts of large vehicles (vehicles over 11.66 metres in length) around UK ports, November 2018 to February 2021



Source: Highways England

Exports of goods to Ireland saw the greatest proportionate fall of the UK's top 5 exporting partners after the EU transition period

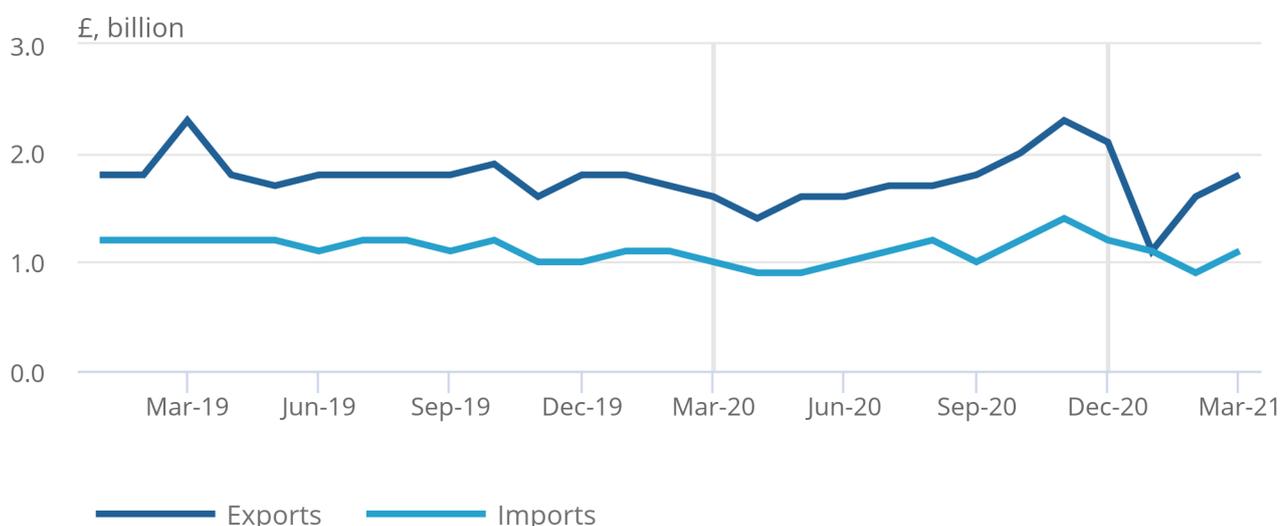
Exports of goods to Ireland saw larger falls than imports after the end of the transition period. Exports of goods to Ireland fell by £1.0 billion (47.3%) between December 2020 and January 2021 (Figure 5), while imports from Ireland fell by a lesser £0.1 billion (4.4%).

Figure 5: Exports of goods to Ireland fell by £1.0 billion (47.3%) in January 2021 from December 2020; the greatest percentage fall of any top exporting partner during this period

Goods imports and exports to Ireland, January 2019 to March 2021

Figure 5: Exports of goods to Ireland fell by £1.0 billion (47.3%) in January 2021 from December 2020; the greatest percentage fall of any top exporting partner during this period

Goods imports and exports to Ireland, January 2019 to March 2021



Source: Office for National Statistics - UK trade statistics, current prices, seasonally adjusted

Stockpiling particularly of food and chemicals likely took place in Ireland in the months leading up to the end of the transition period, as firms prepared for trade difficulties (Figure 6; Figure 7). Total exports to Ireland in December 2020 were 21.1% higher than December 2019. Exports of chemicals to Ireland in December 2020 had risen to £0.6 billion, increasing by 33.5% compared with the previous year, before falling to £0.1 billion in January 2021.

Figure 6: The largest decreases in goods exports to Ireland in January 2021 were seen in chemicals, and food and live animals

Exports of goods to Ireland by commodity, January 2019 to March 2021

Notes:

1. Data presented in this chart are non-seasonally adjusted, as such some of the movement seen may be a consequence of seasonality

[Download the data](#)

Moreover, the decrease in exports to Ireland seen in Quarter 1 2021, taken in the context of the increase in exports seen in Quarter 4 2020, shows that average exports to Ireland between these periods has increased relative to the same period in 2020 and 2018, and is 3.8% lower than the same period in 2019 (Figure 7).

Figure 7: Average exports to Ireland between Quarter 4 2020 and Quarter 1 2021 were higher than for the same period in 2019 to 2020 and 2017 to 2018

Total goods exports to Ireland, October 2017 to March 2021

[Download the data](#)

In addition to the impact of stockpiling, goods faced new checks when moving from Great Britain to Ireland since January 2021. These checks, as part of the [Northern Ireland Protocol](#) (PDF, 603KB), have [reportedly caused delays at the Great Britain and Northern Ireland border](#). Results from the Business Insights and Conditions Survey (BICS) show that, of currently trading businesses that have exported in the last 12 months, 38% have reported additional paperwork as a challenge to exporting since February 2021. This has remained stable through to April 2021.

Exports of food and live animals to Ireland faced the greatest number of new checks. This includes the introduction of [export health certificates for animal products](#) moving between Great Britain and Ireland. Exports of food to Ireland fell £0.3 billion (65.9%) between December 2020 and January 2021, although some of this fall may be attributed to the stockpiling of food, which had boosted trade towards the end of 2020.

[Rules of origin](#) stipulations in the EU-UK Trade Cooperation Agreement (TCA) require that all goods must be able to demonstrate that they "originate" in the EU or the UK to qualify for zero tariff treatment. These stipulations may have led to additional costs associated with re-exporting EU goods, which have gone through UK customs, back to the EU.

The impact of this on total UK exports to EU countries is likely small, with only 3.9% of currently trading exporting businesses in BICS reporting currently using rules of origin to access lower or zero tariffs on exports to EU countries at the beginning of May 2021. However, rules of origin may have led to some changes to supply routes. Of the average 4% of businesses who are currently trading and have reported making changes to their supply chains because of the end of the EU transition period in BICS, the proportion changing to using more UK suppliers peaked at 70.5% at the end of February.

The proportion of goods imported from Germany decreased by 2.6 percentage points comparing Quarter 1 2021 with Quarter 1 2018

Germany is the UK's largest EU trading partner. Since the beginning of the Office for National Statistics (ONS) trade in goods data time series in 1997, the UK has imported more from Germany than from any other country, with the exception of Quarter 4 2000 and Quarter 1 2001, in which the UK imported more from the United States.

However, since April 2019, there has been a decline in imports from Germany, which coincides with increased uncertainty around previous EU exit dates and, from Quarter 2 2020, the impact of the coronavirus pandemic. From Quarter 2 2020, the UK has imported more from China than it has from Germany.

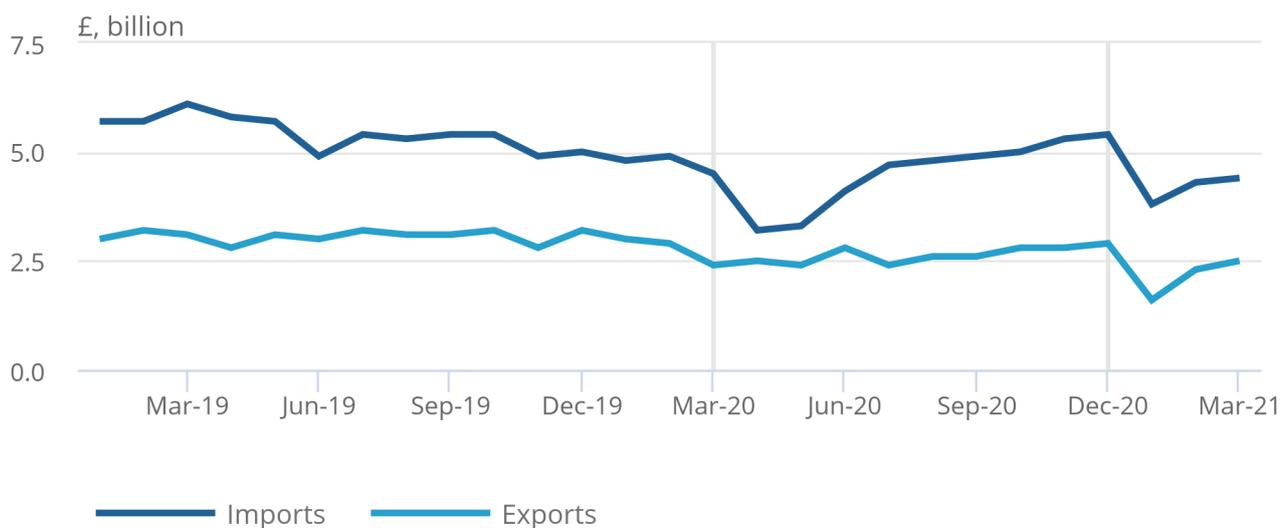
In Quarter 1 2021, the proportion of UK total imports from Germany decreased by 2.6 percentage points to 11.8% compared with Quarter 1 2018. Between December 2020 and January 2021, Germany experienced the greatest value goods import fall of any major trading partner, decreasing by £1.7 billion (30.5%) (Figure 8).

Figure 8: Goods imports from Germany decreased by £1.7 billion (30.5%) between December 2020 and January 2021

Imports and exports of goods to Germany, January 2019 to March 2021

Figure 8: Goods imports from Germany decreased by £1.7 billion (30.5%) between December 2020 and January 2021

Imports and exports of goods to Germany, January 2019 to March 2021



Source: Office for National Statistics - UK trade statistics, current prices, seasonally adjusted

Falls in imports from Germany were driven by road vehicles, which includes cars and car parts, which decreased by £0.7 billion (47.7%) between December 2020 and January 2021 (Figure 9). While, as discussed earlier, stockpiling of commodities, which includes cars and car parts, contributed to elevated import levels towards the end of 2020, the January falls in imports from Germany can also be attributed to the [UK national lockdown and closed car showrooms](#).

German lockdowns and the ongoing global semiconductor shortage caused German [automotive production to fall sharply](#) (negative 12.1%) in January. [Carmakers including Ford, Audi and BMW](#) have been forced to shut production lines for days at a time to deal with a lack of chips. Although this semiconductor crisis has not been resolved, February and March saw an increase in car imports from Germany.

Figure 9: Large decreases were seen in road vehicles and chemicals imported from Germany between December 2020 and January 2021

Imports of road vehicles and chemicals from Germany, January 2019 to March 2021

[Download the data](#)

The coronavirus pandemic has also played a role in [reducing trade flows](#) with Germany. German exports worldwide were down 8% year-on-year in January 2021, not just to the UK. Consumer demand in the UK remained low over Quarter 1 2021 as the government kept non-essential shops, leisure and cultural centres closed in the third national lockdown, impacting imports from Germany, the UK's main import market. Imports from Germany saw an increase in March, potentially because of the progress of the UK vaccination programme and preparations for the easing of pandemic-related restrictions. Trade with Germany may also have been impacted by [the rules of origin clauses](#).

4 . Trade in goods with non-EU countries

Goods imports from non-EU countries, excluding precious metals, fell by £0.5 billion (0.9%) between Quarter 4 (October to December) 2020 and Quarter 1 (January to March) 2021, while exports increased by £0.1 billion (0.4%). This contrasts the significant falls seen for both imports and exports with the EU. The UK's top two non-EU trading partners are China and the United States.

The UK has imported more goods from China than from any other country since Quarter 2 2020

Of the UK's top five import partners, China is the only one in which imports grew between Quarter 1 2018 and Quarter 1 2021 (Figure 11).

Figure 10: Goods imports from China increased by 65.6% comparing Quarter 1 2018 with Quarter 1 2021, whereas the other top four import partners decreased

Total goods imports by top five import partners, Quarter 1 2018 and Quarter 1 2021

[Download the data](#)

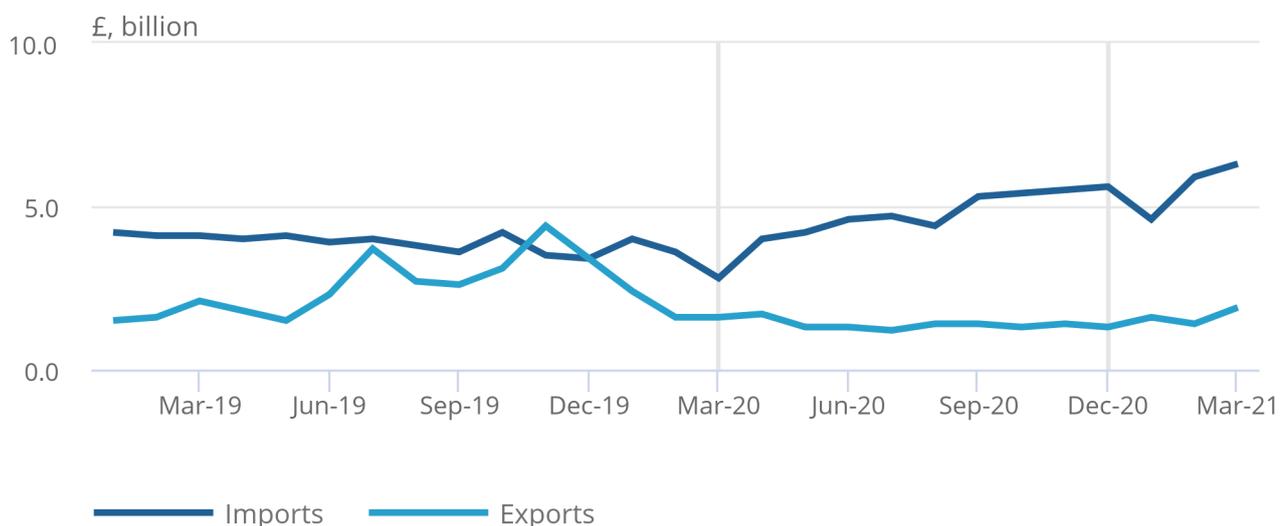
Imports of goods from China accounted for 16.1% of UK goods imports in Quarter 1 2021 having increased by 65.6% compared with Quarter 1 2018, exhibiting a larger increase than exports. Goods imports from China have continued to show an upward trend throughout 2020 (Figure 11).

Figure 11: Total goods imports from China increased by 41.1% between January 2020 and December 2020

Goods imports and exports of goods to China, January 2019 to March 2021

Figure 11: Total goods imports from China increased by 41.1% between January 2020 and December 2020

Goods imports and exports of goods to China, January 2019 to March 2021



Source: Office for National Statistics - UK trade statistics, current prices, seasonally adjusted

The recent increase in imports from China shows a continuation of the long-term trend of increasing imports since the beginning of Office for National Statistics (ONS) records in 1997 although this was accelerated during the second half of 2020, likely because of the relatively limited impact of the coronavirus (COVID-19) pandemic on Chinese exports. This, coupled with increasing demand for commodities produced by China such as electronic machinery (telecommunication and sound equipment) likely explains the increasing imports seen in 2020 (Figure 12).

Additionally, UK imports of textile fabrics from China jumped in 2020, boosted by demand for face masks and personal protective equipment (PPE), essential in the UK management of the pandemic. [China became the first major economy to recover from the pandemic](#) and the [only major economy with growth of trade in goods in 2020](#).

The decrease in goods imports from China seen from October 2020 is likely a consequence of unwinding of stocks, with the Business Insights and Conditions Survey (BICS) indicating that stockpiling in manufacturing peaked in mid-October, and a drop in seasonal demand for consumer electronics.

Imports from China increased in February and March 2021 driven by clothing and footwear. The proportion of currently trading "Wholesale and retail trade" businesses that have imported in the last 12 months, reporting importing more than normal in the BICS increased from 2% in early March 2021 to 7% in late March 2021. Additionally, [real time indicators](#) such as retail footfall, pedestrian traffic around city centers and Clearing House Automated Payment System (CHAPS) all indicate an increase in high-street traffic towards the end of March in preparation for the opening of shops on 12 April across the UK.

Figure 12: Increasing goods imports from China in 2020 were driven by telecommunications and sound equipment, textiles, and clothing

Imports of telecommunications and sound equipment, textiles, and clothing from China, January 2019 to March 2021

Notes:

1. The large variation between total imports from China and the commodity level information is largely a consequence of seasonal adjustment.

[Download the data](#)

Goods exports to the United States decreased by £3.6 billion (25.8%) during the early stages of the coronavirus pandemic

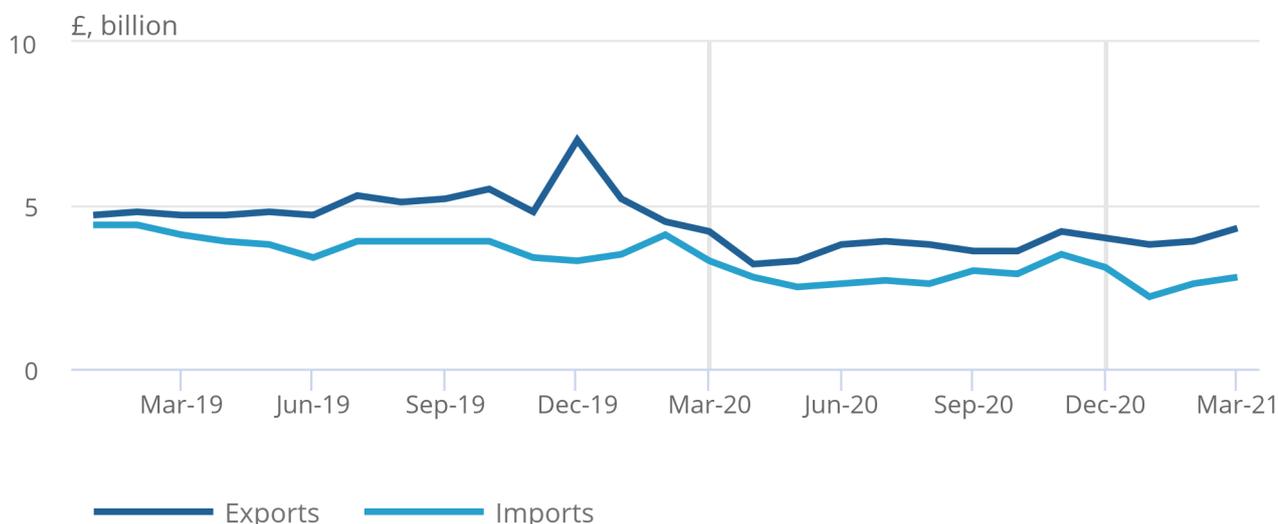
Goods exports to the United States decreased by £3.6 billion (25.8%) between Quarter 1 and Quarter 2 2020, the largest decrease in exports to any trading partner at that time. In the lead-up to the end of the transition period, however, fluctuations with the United States were not seen as they were with EU trading partners. In January 2021, goods exports to the United States fell £0.2 billion (5.7%) compared with December 2020, considerably less than the EU monthly decline of 42.2% (Figure 13).

Figure 13: Goods exports to the United States showed stability during the end of 2020 through to March 2021

Goods exports to the United States, January 2019 to March 2021

Figure 13: Goods exports to the United States showed stability during the end of 2020 through to March 2021

Goods exports to the United States, January 2019 to March 2021



Source: Office for National Statistics - UK trade statistics, current prices, seasonally adjusted

The fall in exports to the United States can be attributed to the impacts of the coronavirus. The second wave of infections peaked in January 2021 in the UK, causing manufacturers to restrict production. During this month, [manufacturing output fell 2.3%](#) and road vehicle exports to the United States fell £0.1 billion (11.3%) (Figure 14).

Exports to the United States rose steadily in February and March 2021. Unwinding of coronavirus restrictions in the UK has contributed to this, allowing [manufacturing output to rise 2.1%](#) in March. [Rising vaccination rates](#) in the United States have also allowed their economy to partially reopen, boosting demand for imports. Exports to the United States rose £0.4 billion (9.0%) in March. However, Quarter 1 exports to the United States were still 8.9% lower than Quarter 1 2018.

Figure 14: The decrease in exports to the US in March 2020 was driven by Road Vehicles, while exports of chemicals remained stable in the same period

Exports of road vehicles, and chemicals to the United States, January 2019 to March 2021

[Download the data](#)

This article reports the early impacts of the end of the transition period on UK trade. We have seen trade with non-EU countries overtake trade with EU countries for the first time in Quarter 1 2021. However, trade was already at depressed levels because of the ongoing pandemic and recession. It is therefore too early to assess the extent to which the transition period reflects short-term trade disruption or longer-term supply chain adjustments. We will continue to assess this over the coming months.

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5 . Glossary

BICS

Business Insights and Conditions Survey.

COVID-19

COVID-19 is the name used to refer to the disease caused by the SARS CoV-2 virus, which is a type of coronavirus.

Exports

Goods or services sold to other countries – the opposite of imports.

Imports

Purchases of foreign goods and services – the opposite of exports.

Total trade

The value of total trade between two trading partners (that is, exports plus imports).

6 . Data sources and quality

UK trade data

UK trade data used in this article, unless stated, seasonally adjusted, in current price, meaning they have been adjusted to remove the effects of inflation and seasonality.

As seasonally adjusted data are not available at the granularity required to analyse impact on trade in commodities with countries, care should be taken when interpreting these results. As shown in Table 1, seasonal adjustments can have a large impact on the data presented.

Further detail on the challenges and the measures we have taken can be found in Section 11 of the [UK trade release](#) published 12 June 2020.

Table 1: Correlation co-efficient between seasonally adjusted and non-seasonally adjusted data by country and by commodity, January 2020 to March 2021

	Exports Imports	
Germany	0.89227	0.89945
Ireland	0.96282	0.93482
United States	0.85397	0.91843
China	0.76465	0.86557
	Exports	Imports
Food & live animals	0.90540	0.86776
Chemicals	0.80810	0.88129
Road vehicles	0.94899	0.91190
Cars	0.94866	0.88096

Source: Office for National Statistics

Business Insights and Conditions Survey

This article draws on data from the [Business Insights and Conditions Survey \(BICS\)](#), which captures businesses' views on financial performance, workforce, prices, trade, and business resilience. For analysis of [BICS](#), we have used a time series of "Waves", which cover a fortnightly period, from mid-November 2020 (Wave 18) to mid-May 2021 (Wave 30).

It should be noted that the questions asked in the BICS are changed fairly frequently to reflect changes in the external environment, and this explains differences in the timescales for the evidence from BICS. To avoid the effect of firms who do not trade internationally, all import and export data shown from BICS are from currently trading firms who had imported or exported in the 12 months prior to the wave to which they responded.

For questions regarding the last two weeks, businesses were asked for their experience for the reference period. For all other questions, businesses may respond from the point of completion of the questionnaire.

Caution should be taken when interpreting the results presented as the specific routing of some of the questions means that only a small number of businesses responded.

Estimates from BICS are not official statistics.

7 . Related links

[Early indicators of the impact of EU exit and the coronavirus on UK businesses trading in services: June 2020 to April 2021](#)

Article | Released 6 May 2021

Experimental estimates linking samples from the Annual Business Survey (ABS) 2018 and the Annual Survey of International Trade in Services (AITIS) 2019 with the voluntary Business Insights and Conditions Survey (BICS) for businesses that trade in services.

[Impact of the coronavirus and EU exit on the collection and compilation of UK trade statistics](#)

Article | Released 8 March 2021

How the global coronavirus (COVID-19) pandemic and the end of the EU exit transition period impacted on the compilation of UK trade.

[Did UK firms stockpile items ahead of the Brexit deadline?](#)

Article | Released 1 March 2021

Some early evidence suggesting companies were stockpiling at the end of 2020.

[Impacts of the coronavirus on UK trade: December 2020](#)

Article | Released 2 February 2021

The impacts of the coronavirus (COVID-19) on UK trade, with a focus on trade in services.