

MIDLANDS ENGINE OBSERVATORY ACADEMIC INSIGHTS

How has the pandemic affected international trade across the UK?



This summary comes from [this article](#) in the Economics Observatory.

Theme:

International trade in the wake of the pandemic.

Area of Focus:

The article focuses on international trade across the English regions and devolved administrations within the UK.

Key Findings:

In 2020, total UK trade in goods and services fell compared to the previous year. Unusually, exports were higher than imports. It remains to be seen where these changes reflect short-term COVID-19 disruptions or longer-term supply chain adjustments caused by Brexit.

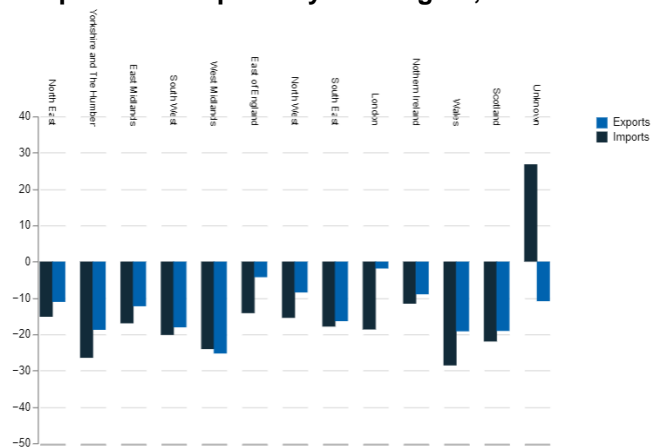
New experimental data released by the [Office for National Statistics](#) (ONS) provides evidence for assessing the impact of COVID-19 on UK trade.

The West Midlands saw the largest year-on-year fall in total exports, at -25.3%. This decrease, seen in exports of both goods and services, may have been due to the prevalence of car (and car part) manufacturing within the region. The sector struggled significantly in 2020, partially because of a global shortage of semiconductors. Beyond cars, both the wider manufacturing and food service industries saw large decreases in trade during the pandemic – likely contributing to the shrink of exports seen in the West Midlands.

On the other hand, the UK had a total trade surplus of £6.3bn in 2020, as all four nations exported more than they imported. This contrasted with the £27.6bn deficit from the previous year. London was the main contributor, with a balance of £54.2bn (driven by service exports). A significant proportion of this is likely to have come from the financial and insurance services industry, with recent analysis showing that, overall, this sector accounts for around a third of UK service exports, with [half of the sector's output generated in London](#).

All UK nations bar England has surpluses in trade goods in 2020, with the North East being the only net exporting region in England. At the same time, the UK had an overall surplus in service trade of £135.7bn, up from £103.3bn in 2019 with all regions being net exporters of services.

Year-on-year percentage change in value of total trade imports and exports by ITL1 region, 2019 to 2020



Source: ONS

Midlands Engine Impact:

- The West Midlands saw the largest year-on-year decrease in total goods and service exports at -25.3%, signaling a significant decrease in output. This suggests an increase in unemployment and a deceleration of economic growth within the region.
- Alongside a decrease of superconductors caused by supply chain shortages, advanced manufacturing within the region is likely to continue declining.
- Although the Midlands had a poor trade performance, the UK had a total trade surplus which represents an increase in employment and economic growth, this is likely to create a pull effect for the Midlands to improve its trade balance.
- The Trade and Cooperation Agreement between the UK and EU came into effect in January 2021, as the Brexit transition ended. It is likely that this will continue any further longer-term supply chain adjustments and changes to the Midlands economy.

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