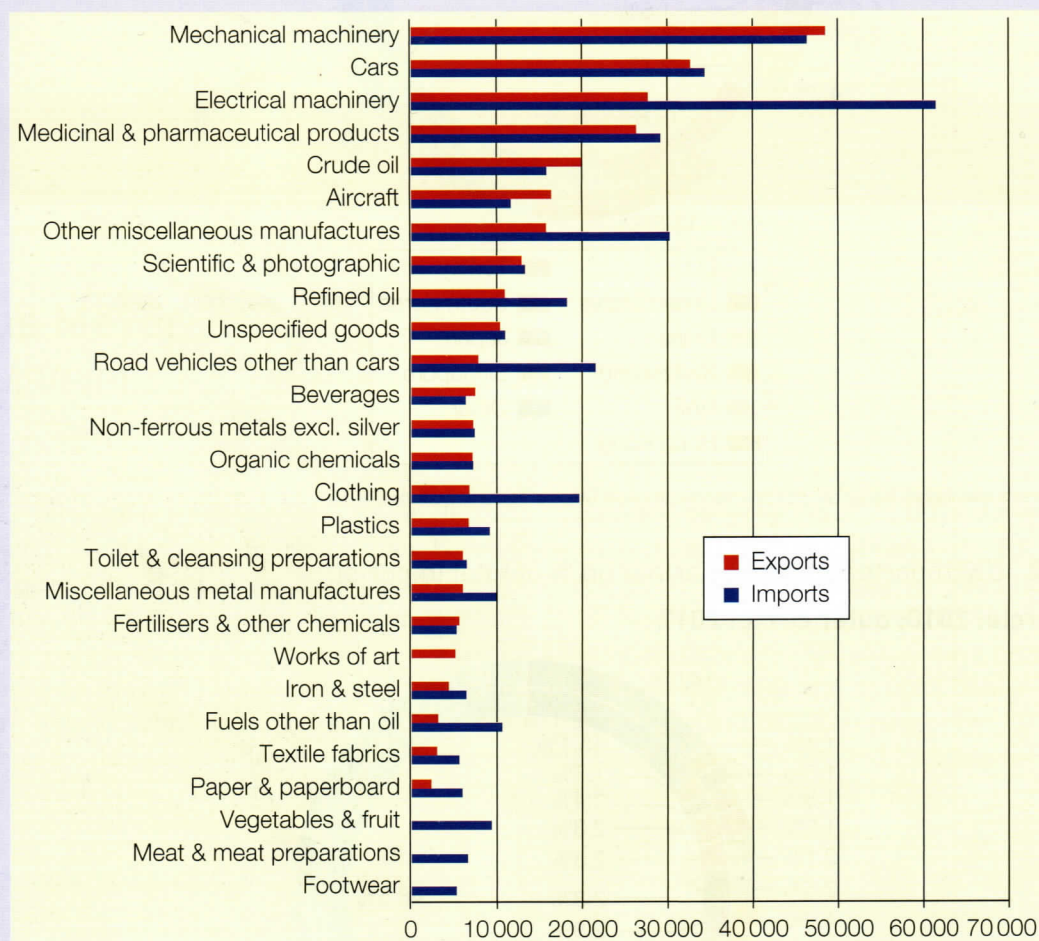


The UK's export and import of goods was dominated by advanced manufacturing goods such as cars, machinery and hence by industries that tend to have complex value chains with different units based in different geographies (Figure 3). An unusual feature of the UK economy is its strong focus on services, a consequence of policy priorities in the 1980s and 1990s under the then leadership of Prime Minister Margaret Thatcher. In 2016, the UK exported £323 billion in services in addition to £409 billion in goods. In particular, financial services made an unusually large contribution not only to GDP but also to international trade in services.

Figure 3 UK international trade: top product categories, 2017



Source: Author's calculations based on data downloaded from Statista, 2018.

The UK earned a surplus on its services balance of £129 billion (4.9% of GDP), but not enough to cover its trade deficit in goods trade of £226 billion (8.6% of GDP).¹ The overall deficit had been steadily growing since the 1990s, and the UK had substantial trade deficits in goods with most of its trading partners. In trade with the EU, in 2017 the deficit reached 22% of trade volume (that is, exports minus imports as a percentage of exports plus imports). Like many Western countries, the UK had been running a trade deficit with China, but that had been narrowing in recent years. An important exception was the USA, with which the UK had a trade surplus of 5% in 2017 (Figure 4).