

Working Paper 50

An analysis of London's exports

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Introduction

International trade can provide countries with levels of output and welfare beyond what is possible to them if their economy was closed. Opening up world markets promotes specialisation¹ and competition, and with them, economic efficiency². It also increases the choice of goods/services that its population can purchase.

This note looks at London's exports from 2001 to 2009. In line with national reporting of trade statistics, the values reported here represent only the revenue to London from exporting. They do not allow for any judgement on the value added to London's economy from this revenue. In a world of increasingly globalised production chains it is possible that only a small fraction of the value of exports stays within the domestic economy (and this is likely to vary considerably across sectors). In the same way as a shop which sells £2 worth of goods does not make £2 profit, an economy which exports £2bn of goods does not add £2bn of value to its economy. For example, the £2bn of exports may have required £1bn of raw materials to be imported in which case the exports have only added a net £1bn to the economy.

It should be noted that the data and methodology used in this paper differs from past GLA Economics' estimates of London's exports. We believe that this new approach provides more accurate export values for London when compared to previous estimates.

The paper begins with a broad overview of how London's exports have changed over the last eight years (2001 to 2009). It then goes on to look in further detail at the changes in exports of both goods and services.

¹ Specialisation is where countries concentrate their scarce economic resources (such as labour and land) to produce goods/services in which they are relatively (relative to other countries) more efficient at producing. This allows for large scale production where the cost of producing each unit falls (i.e. it allows for economies of scale).

² Efficiency refers to the amount of economic resources (such as labour and land) needed to produce a given unit of output.

Chapter 1: London's total exports

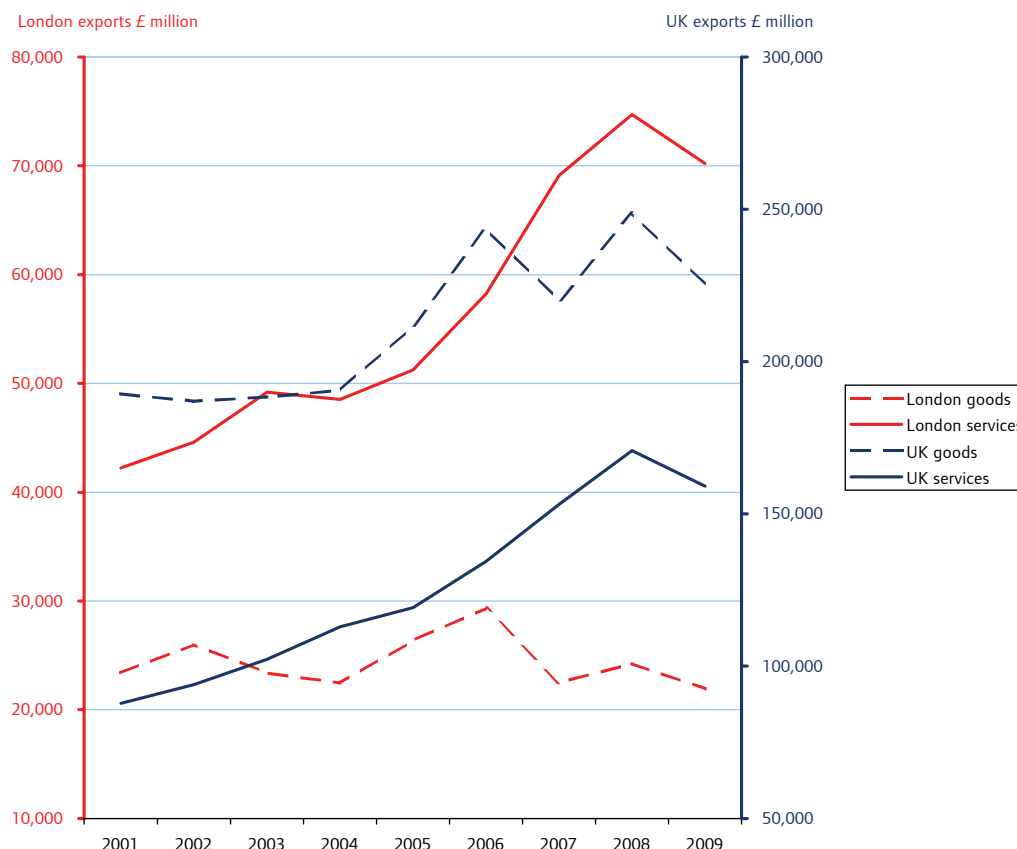
GLA Economics estimate that the total value of London's exports in 2009 was £92.1 billion, up from £65.6 billion in 2001. All of this increase was due to services; whilst exports of goods fell by £1.5 billion (to £21.9 billion), exports of services rose by £28 billion (to £70.2 billion) over this time.

Meanwhile, for the UK as a whole, exports have risen by £107.3 billion since 2001, reaching a total of £384.4 billion in 2009. Whilst service exports drove much of this increase, goods exports also contributed; exports of services and goods rose by £71.3 billion and £35.9 billion respectively.

Figure 1 shows how London's and the UK's exports of goods and services have moved since 2001. The red lines represent London's exports, which are charted using the scale on the left-hand side. The UK exports are represented by the blue lines and are charted using the scale on the right-hand side.

It is clear from Figure 1 that, in contrast to London, exports of goods play a large role in the UK's total exports. In 2009, 59 per cent of UK exports were goods (although this had fallen from 68 per cent in 2001). For London, in 2001, only 36 per cent of exports were goods, and by 2009 this had fallen to only 24 per cent.

Figure 1: London and UK exports, £ million current prices, 2001-2009



Source: HMRC, BIS, GLA Economics

Chapter 2: London's goods exports

Data on London's exports of goods is taken from HMRC UK Trade Info (see Box 1). Although similar, the HMRC estimates for UK goods exports do not correspond perfectly to those provided in the ONS Balance of Payments publication (Pink Book). For consistency, the estimates of goods exports presented in this paper are all from the HMRC dataset.

Box 1: HMRC Regional Trade Statistics

Data on London's exports of goods has been taken from HMRC UK Trade Info Regional Trade Statistics dataset. These estimates are based on both (a) Customs administrative data based on the declarations of goods exports transactions to non-EU countries and (b) the *Intrastat* system which records exports to the EU. Exports are then assigned to regions by using the postcode associated with a company's VAT registration. HMRC make some adjustment to account for head office bias (which would otherwise artificially inflate London estimates) but some bias is likely to remain.

For consistency, the UK estimates of goods exports have also been taken from this source. Although these differ slightly from those published in the ONS Pink Book they allow for a much more detailed analysis of goods exports (as data is available at the 2-digit Standard Industrial Trade Classification (SITC) level).

Further details on the methodology behind the HMRC estimates can be found at:

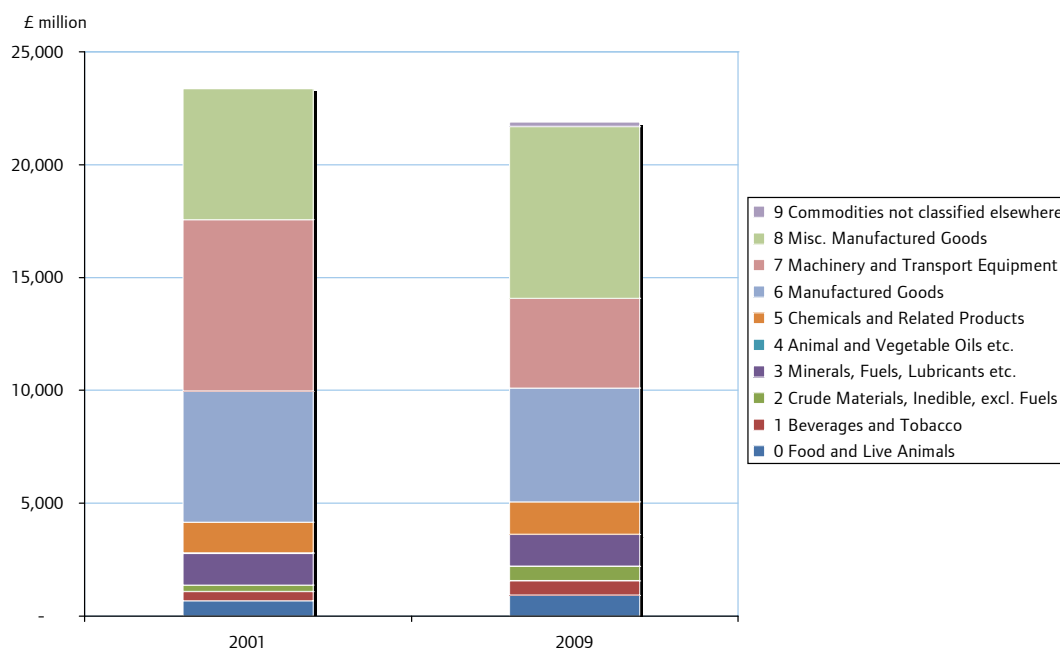
<https://www.uktradeinfo.com/pagecontent/RTSdocuments/rtsMethodsrevision2007v3.pdf>

Further details on the differences between the HMRC and the ONS goods exports can be found at:

<http://www.ons.gov.uk/ons/guide-method/method-quality/specific/gss-methodology-series/gss-methodology-series--36--statistics-on-trade-in-goods.pdf>

In 2001 London exported £23.4 billion of goods, making up 12 per cent of the UK total. By 2009, this had fallen to £21.9 billion, making up only 10 per cent of the UK total. However, this headline trends masks large differences across products. Figure 2 shows how the composition of London's goods exports has changed. By far the largest increase can be seen in exports of miscellaneous manufactured goods (which includes clothing, works of art, antiques, and toys/games). These increased by a total of £1.8 billion between 2001 and 2009. On the other hand, exports of machinery and transport equipment have fallen by £3.6 billion.

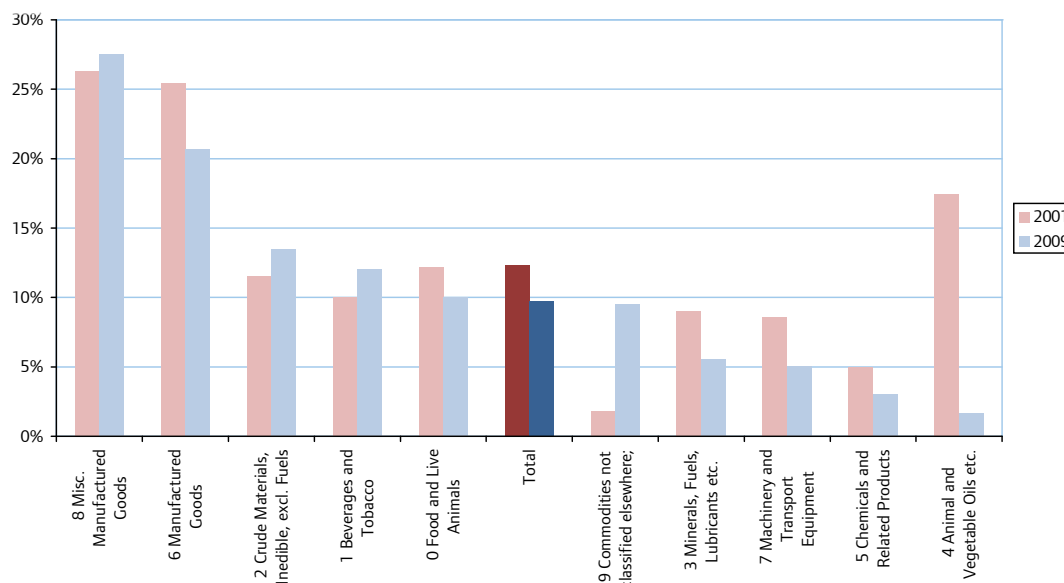
Figure 2: Composition of London's goods exports, 2001 and 2009, £ million current prices



Note: Numbers relate to the products' 1-digit SITC code.
Source: HMRC

Whilst London's share of UK exports has fallen for many products, for some the share remains particularly high. Figure 3 shows how London's export share by product has changed between 2001 and 2009. Over a quarter of the UK's exports of miscellaneous manufactured goods (which includes clothing, works of art, antiques and toys/games) are from London, with London accounting for 38 per cent of UK clothing exports in 2009. London also made up over a fifth of the UK's exports of manufactured goods (both in 2001 and in 2009); the main products behind this were non-metallic manufactures (which includes pearls and precious/semiprecious stones) where London exported 63 per cent of the UK's exports in 2009.

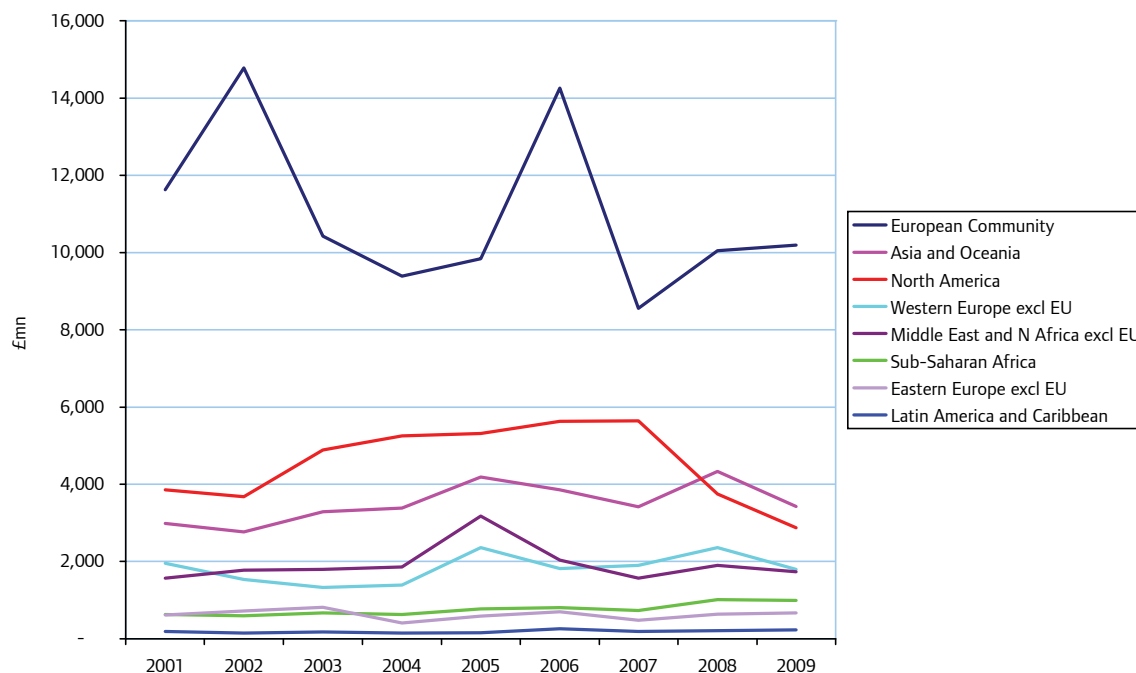
Figure 3: London's share of UK exports of goods by SITC product, 2001 and 2009



Source: HMRC

The destination of London's goods exports can be quite volatile from year to year, particularly those to Europe (see Figure 4). Nevertheless, the USA remains the single largest country destination, whilst the European Community remains the largest regional destination. Clearly, different products will have different destination patterns. Table 1 shows the top five country destinations for London's top goods exports in 2009.

Figure 4: London's exports of goods by destination, 2001-2009, £ million current prices



Note: The European Community refers to the EC15 from 2001-2003, the EC25 from 2004-2006 and the EC 25 from 2007 onwards.

Table 1: London's top exports of goods and their destination

Top 5 London goods exports (2009)	Top 5 country destinations (2009)
89 Miscellaneous manufactured articles incl. works of art, antiques and toys/games (£5.3bn)	USA (21%) Switzerland (17%) France (9%) Hong Kong (7%) Republic of Ireland (5%)
66 Non-metallic mineral manufacture incl. pearls and precious/semiprecious stones (£3.3bn)	Belgium (38%) India (15%) South Africa (12%) Israel (9%) Switzerland (7%)
76 Telecommunications & sound recording & reproducing apparatus & equipment (£1.6bn)	Netherlands (20%) Republic of Ireland (9%) Germany (9%) Honk Kong (8%) USA (7%)
84 Clothing (£1.3bn)	Republic of Ireland (15%) Italy (11%) Germany (11%) France (7%) Greece (5%)
33 Petroleum, petroleum products & related materials (£1.2bn)	Netherlands (46%) Germany (13%) Belgium (10%) Nigeria (6%) Brazil (5%)
All London goods exports	USA (12%) Belgium (8%) France (7%) Germany (6%) Netherlands (6%)

*Note: USA includes Puerto Rico. Numbers refer to the products' SITC code.
Source: HMRC Regional Trade Statistics*

Chapter 3: London's service exports

Whilst data on the goods that London exports is rather abundant, this is not true for services. The only data on London's service exports that is available comes from the Department for Business, Innovation and Skills (BIS). These estimates use ONS data from the International Trade in Services (ITIS). However, these cover only around 28 per cent to 36 per cent (from 2001-2009)³ of the UK's exports of services. Box 2 provides more detail on the methodology used by BIS to regionalise UK exports.

Whilst GLA Economics hope to work with BIS to construct reliable London shares for the remaining UK service exports, this will take some time. For this paper it has been necessary to make some simplifying assumptions to estimate the totality of London's service exports - see Annex 1 for further information on the methodology adopted and the results.

GLA Economics estimate that in 2009 London exported 44 per cent of all UK service exports (Figure 5). This is equivalent to a total export value of £70.2 billion. Whilst this is four percentage points lower than London's share in 2001 it still represents a £28 billion increase.

Box 2: BIS estimates of London's service exports

Using ONS data from the International Trade in Services (ITIS) the Department for Business, Innovation and Skills (BIS) allocates UK exports to regions. The ITIS data, however, only covers part of the UK's services exports estimates in the ONS Pink Book. For some industries, the ITIS data is the source of all or, nearly all, of the corresponding Pink Book category. It is only these industries for which BIS currently produce regional export estimates. As such, BIS estimates cover only around 28 per cent-36 per cent (between 2001 and 2009) of the UK's exports of services. Further, the ITIS survey does not record the exact geographical location of the transaction; it records the company's reporting unit (RU) which does not always correspond to the local unit (LU). Instead, BIS link the ITIS data back to the Inter-Departmental Business Register (IDBR), which includes an employment measure for each LU, to apportion the export value of each product within a company to its local units. Where a company has 10 or more LUs (such as those in the communication sector) the transaction is allocated to the RU, which may be the headquarters. Where this happens, the BIS estimates are likely to over-estimate exports from London (given the high share of headquarters located in London).

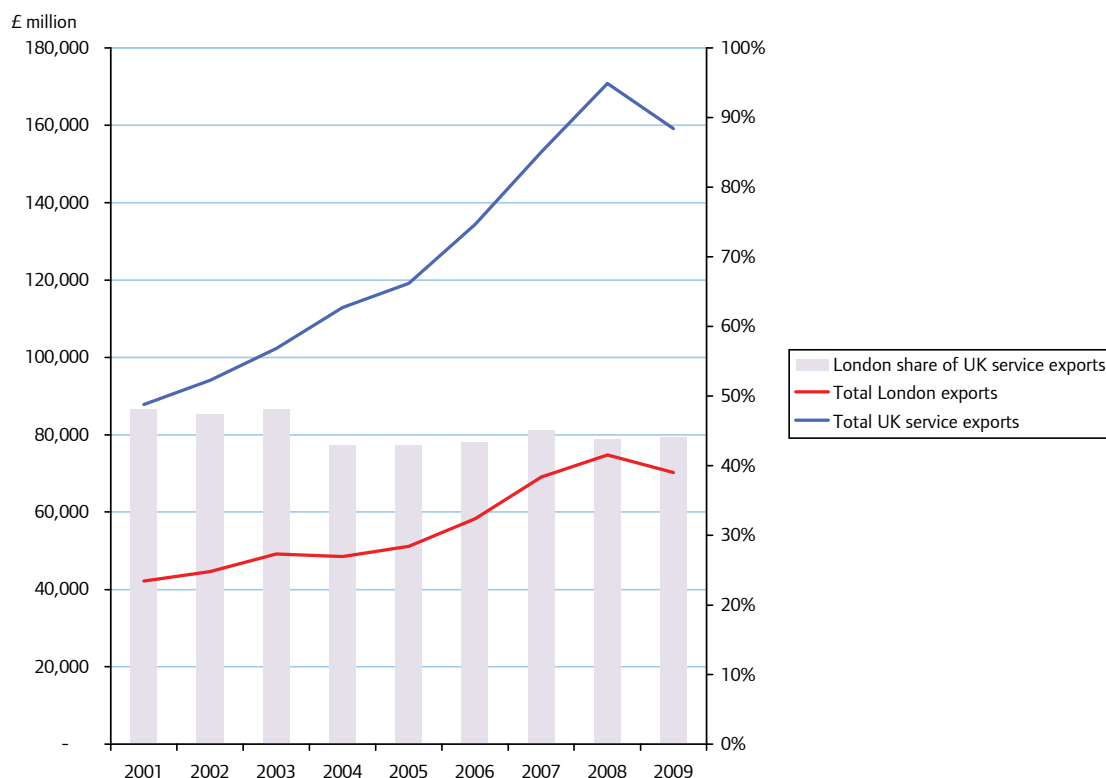
It should be noted that BIS developed this specific methodology in 2007. Earlier estimates from BIS were constructed using a slightly different method. This means that pre and post 2007 estimates of London's service exports should be compared with caution. Looking at 2007 estimates from BIS using both their old and new methodology, the impact on the results is relatively small.

Further details on the methodology behind the BIS estimates can be found at:

<http://www.statistics.gov.uk/articles/elmr/elmr-oct10-brook.pdf>

³ The reason for the large range of services covered is due to changes in methodology used by BIS and the consequential increase in products it is able to regionalise. Annex 1 provides further information.

Figure 5: London and UK exports of services, 2001-2009

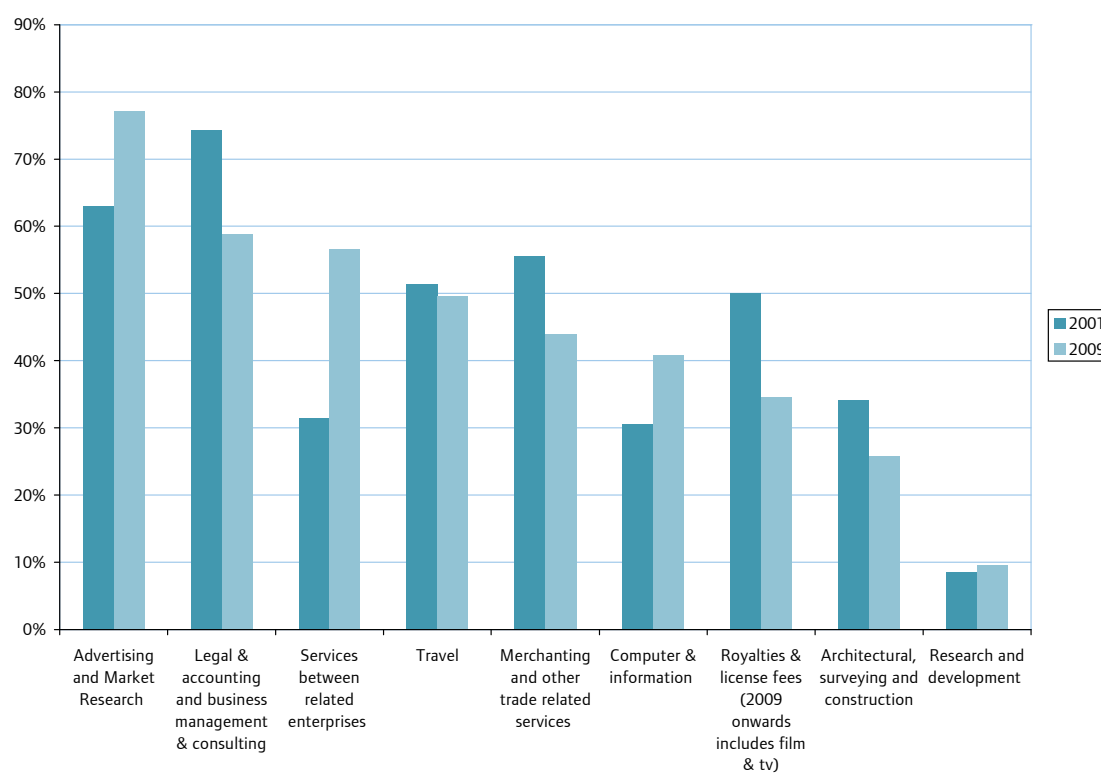


Source: BIS, ONS Pink Book, Visit Britain, GLA Economics calculation.

Given the methodology used to estimate London's total service exports it would be misleading to analyse the trend for all products/industries. This paper, therefore, only looks at the trend over time for the products estimated by BIS and travel exports. In all, these represent 43 per cent to 48 per cent (between 2001 and 2009) of London's total estimated service exports.

Figure 6 shows how London's share of UK service exports has changed for different products (where this data is available from BIS). Although there are large differences between products (and excluding research and development), London clearly plays an important role in the UK's exports of services.

Figure 6: London's share of UK exports by selected product, 2001 and 2009



Source: BIS, Visit Britain, ONS Pink Book, GLA Economics calculations.

Summary

GLA Economics estimate that London exported £92.1 billion of goods and services in 2009, up from £65.6 billion in 2001. Over this period London has consistently accounted for between a fifth and a quarter of the UK's total exports.

London exports of goods make up a relatively small share of its total exports (24 per cent in 2009, which is down from 36 per cent in 2001) and London's exports of goods only accounted for 12 per cent of the UK total (although this varies significantly by product). Again whilst there are differing trends by products, between 2001 and 2009 London's exports of all goods fell by £1.5 billion. Whilst the USA remains the single largest country destination for London's goods exports, the European Community remains the largest regional destination (by a significant margin). Once again, however, the destination of exports varies by product.

Exports of services play a large role in London's export market, and are accountable for the increase in total exports seen between 2001 and 2009. In 2009 London exported £70.2 billion of services, up from £42.2 billion in 2001. Although London's share of UK exports fell by four percentage points over this time, London still accounted for 44 per cent of UK service exports in 2009. As with goods, this share varies by service product.

Annex 1: Estimating London's service exports

Data on London's service exports is only available for a few products from the Department of Business, Innovation and Skills (BIS). Table A1 presents these figures. BIS estimates are based on the first release of the Pink Book and are not updated in line with revised numbers.

Table A1: BIS estimates of London service exports, 2001-2009

London									£million
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Advertising and Market Research	1,020	1,105	1,450	1,265	1,590	1,480	1,775	2,015	1,870
Architectural, surveying and construction	135	110	145	100	110	215	300	375	535
Computer & information	995	1,675	2,080	2,520	2,300	2,810	2,575	2,965	2,820
Legal & accounting and business management & consulting	2,595	3,890	4,295	4,495	4,920	5,215	6,955	8,045	7,520
Merchandising and other trade related services	1,480	1,360	1,500	1,140	1,535	1,620	2,050	2,000	1,140
Research and development	250	200	350	190	395	455	450	435	555
Royalties & license fees (2009 onwards includes film & tv)	2,345	2,120	2,315	1,545	1,650	1,290	1,490	1,340	2,630
Services between related enterprises	465	720	905	815	1,085	1,230	1,830	2,460	3,165
Other business and professional services and property management	1,915	885	335	520	420	650			
Communications							2,235	2,165	2,590
Engineering & technical services (incl. Operational leasing and Agricultural, mining and on-site processing)							1,635	1,325	1,315
Total estimated by BIS	11,200	12,065	13,375	12,590	14,005	14,965	21,295	23,125	24,140
UK									£million
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Advertising and Market Research	1,620	1,705	2,155	1,965	2,405	2,095	2,375	2,630	2,425
Architectural, surveying and construction	395	330	410	550	945	915	1,375	1,770	2,070
Computer & information	3,255	3,955	4,985	6,375	6,185	6,490	6,895	7,260	6,900
Legal & accounting and business management & consulting	3,490	5,305	5,890	6,170	7,370	8,960	10,670	12,410	12,780
Merchandising and other trade related services	2,665	2,420	2,470	2,245	2,720	2,940	2,890	2,890	2,595
Research and development	2,935	2,900	3,465	4,465	4,705	4,645	5,205	5,680	5,775
Royalties & license fees (2009 onwards includes film & tv)	4,690	4,905	5,265	5,815	6,615	6,335	6,740	6,425	7,610
Services between related enterprises	1,480	1,620	2,105	2,140	2,380	2,875	3,930	4,855	5,585
Other business and professional services and property management	3,690	2,805	1,480	1,810	1,205	1,580			
Communications							4,185	4,260	4,485
Engineering & technical services (incl. Operational leasing and Agricultural, mining and on-site processing)							5,480	7,255	6,885
Total regionalised UK exports	24,220	25,945	28,225	31,535	34,530	36,835	49,745	55,435	57,110

Note: Data before and after 2007 are not perfectly comparable due to a change in underlying methodology. Estimates for communications and engineering & technical services are not available pre-2007, and estimates for other business & professional services are not available post-2007.

All estimates are based on unrevised Pink Book numbers

Source: BIS

GLA Economics hope to work with BIS to construct reliable London shares for the remaining UK service exports. However, this will take some time. For this paper it has been necessary to make some simplifying assumptions. First, travel exports are allocated to London using International Passenger Survey (IPS) Tourism Expenditure data. Table A2 presents this data and results. Finally, London's share of UK exports for the services that are regionalised by BIS along with the travel export estimates are applied to all UK service exports. For example, in 2009 the BIS estimates regionalise 36 per cent of UK exports, allocating £24.1 billion of exports to London. GLA Economics then regionalise UK travel exports (equal to 12 per cent of total service exports), which allocates a further £9.6 billion to London's service exports. Within this 48 per cent of UK exports regionalised (those regionalised by BIS plus travel exports regionalised by GLA Economics), London accounts for 44 per cent of the exports. This 44 per cent is then applied to the remaining 52 per cent of UK service exports (i.e. those services not estimated by BIS and travel services) to estimate London's remaining service exports. In reality, London's share of the remaining (non-regionalised) exports may be higher or lower than the 44 per cent assumed (Table A3 provides these estimates). For example, around a quarter of the service products that have not been regionalised are financial services and it is likely that London's share of UK exports for these is higher than the

assumed 44 per cent. However, in the absence of other information this simplification has been necessary. As such, the numbers should be treated with some caution.

Table A2: Estimating London's share of UK travel exports

		2001	2002	2003	2004	2005	2006	2007	2008	2009
London IPS tourism expenditure	Business	2,038	1,865	1,816	1,939	2,182	2,608	2,566	2,556	1,930
	Personal	3,807	3,923	4,054	4,499	4,677	5,214	5,626	5,570	6,308
Total UK IPS tourism expenditure	Business	3,582	3,573	3,432	3,682	4,055	4,753	4,546	4,575	3,686
	Personal	7,724	8,164	8,423	9,365	10,193	11,249	11,414	11,748	12,906
Estimated London share of UK travel	Business	57%	52%	53%	53%	54%	55%	56%	56%	52%
	Personal	49%	48%	48%	48%	46%	46%	49%	47%	49%
UK Travel exports (ONS Pink Book)	Business	3,778	3,837	3,647	3,938	4,344	5,019	4,890	4,834	3,908
	Personal	9,332	9,758	10,229	11,476	12,527	13,784	14,402	14,764	15,374
Estimated London travel exports	Business	2,150	2,003	1,929	2,074	2,337	2,754	2,760	2,701	2,046
	Personal	4,600	4,689	4,924	5,513	5,748	6,389	7,099	7,000	7,514
	Total	6,749	6,692	6,853	7,587	8,085	9,143	9,859	9,701	9,561

Source: Visit Britain, ONS Pink Book, GLA Economics calculations

Table A3: Estimate of remaining London service exports

	2001	2002	2003	2004	2005	2006	2007	2008	2009
London's estimated share of UK exports (products regionalised by BIS plus travel exports)	48%	47%	48%	43%	43%	43%	45%	44%	44%
UK service exports not regionalised by BIS	63,553	68,067	74,132	81,387	84,656	97,558	103,400	115,384	102,001
UK travel exports	13,110	13,595	13,876	15,414	16,871	18,803	19,292	19,598	19,282
All non-regionalised UK service exports (those not regionalised by BIS less travel exports)	50,443	54,472	60,256	65,973	67,785	78,755	84,108	95,786	82,719
as a share of all UK services exports	57%	58%	59%	58%	57%	59%	55%	56%	52%
Estimate of remaining London exports	24,254	25,840	28,951	28,353	29,132	34,125	37,955	41,905	36,492

Source: BIS, ONS Pink Book, Visit Britain, GLA Economics calculations.

As shown in Table A3 around half of UK service exports are not regionalised (either by BIS or by GLA Economics using IPS data). Specifically, the products that have not been regionalised are:

- Finance (which accounted for 28 per cent of UK service exports in 2009),
- Transport (which accounted for 13 per cent of UK service exports in 2009),
- Insurance (which accounted for 5 per cent of UK service exports in 2009),
- Other miscellaneous business services (which accounted for 4 per cent of UK service exports in 2009),
- Personal, cultural and recreational services (which accounted for 1 per cent of UK service exports in 2009), and
- Government services (which accounted for 1 per cent of UK service exports in 2009).

Excluding the 2009 estimates, royalties and licence fees for film and TV were also not regionalised (this accounted for 1 per cent of UK service exports in 2008).

In addition, pre-2007 estimates have also not regionalised the following product exports:

- Engineering & other technical services (which accounted for 4 per cent of UK service exports in 2006),
- Communications (which accounted for 3 per cent of UK service exports in 2006), and
- Agricultural & on-site processing services and operational leasing services (which together accounted for 1 per cent of UK service exports in 2006).

On the other hand, pre-2007 BIS regionalised 'other business services and property management'. There is no comparable ONS Pink Book category for this product, however, BIS estimate that this additional product made up around 1 per cent of UK service exports in 2006.

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Nếu bạn muốn có văn bản tài liệu này bằng ngôn ngữ của mình, hãy liên hệ theo số điện thoại hoặc địa chỉ dưới đây.

Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος εγγράφου στη δική σας γλώσσα, παρακαλείστε να επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυδρομικά στην παρακάτω διεύθυνση.

Turkish

Bu belgenin kendi dilinizde hazırlanmış bir nüshasını edinmek için, lütfen aşağıdaki telefon numarasını arayınız veya adrese başvurunuz.

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

Hindi

यदि आप इस दस्तावेज की प्रति अपनी भाषा में चाहते हैं, तो कृपया निम्नलिखित नंबर पर फोन करें अथवा नीचे दिये गये पते पर संपर्क करें

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি (কপি) চান, তা হলে নীচের ফোন নম্বরে বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Urdu

اگر آپ اس دستاویز کی نقل اپنی زبان میں چاہتے ہیں، تو براہ کرم نیچے دئے گئے نمبر پر فون کریں یا دیئے گئے پتے پر رابطہ کریں

Arabic

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Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.

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