

Why Britain's Exporting Firms Are an Important Part of the EU Debate

For hundreds of years, Britain has held a reputation as a trading nation. Does that still hold true?

According to latest ONS figures¹:

- 15.2% of Britain's (non-financial, private sector) firms trade overseas
- 10.8% of Britain's firms are exporters
- 10.7% of Britain's firms are importers

But that's not the end of the story...

Trading firms punch above their weight

The 10.8% of British firms that export contribute almost three times that value to the British economy. Gross exports account for 28.4% of GDP², and UK trade amounts to around 58% of GDP in total. The value of trading firms to the British economy is even greater than this, as few trading firms only buy and sell internationally. The great majority are also buying and selling in the domestic economy.

Trading firms provide jobs for far more than 15.2% of British employees – as larger businesses are much more likely than smaller firms to be direct exporters and importers. Of Britain's 4,100 businesses with more than 250 employees, 41% export and 52.5% trade³. These firms alone likely account for at least 20% of UK employees⁴.

The EU is a significant factor in Britain's success as a trading nation.

44.6% of Britain's exports in 2014 were destined for the European Union⁵ and 7 of the UK's top 10 export

markets are in the European Union⁶. Because of transportation costs, the large size of the EU, and our similar economic structure and level of development, it is likely that there will always be a propensity to sell heavy or perishable goods to our neighbours.

The European Union has helped British businesses by removing barriers to trade and increasing the ease of doing business, so UK goods can reach EU consumers unimpeded.

53.2% of Britain's imports come from the European Union⁷, and 7 of the UK's top 10 import sources are EU nations⁸. Tariff-free trade with the EU reduces costs and increases choice, which benefits UK consumers and businesses.

"Made in Britain" – but not just in Britain.

Trade is complex: goods are not just moved around in their final forms. UK firms require materials and components from abroad to assemble into products, or modify and sell on. Given the nature of modern businesses, it is often vital that these materials arrive exactly on time and without delay, to reduce storage costs and ensure assembly lines can keep rolling effectively. Over 23% of the value of UK exports originates abroad⁹, including imported metals, fuels and parts for automobiles.

The European Union ensures common rules and standards on products, with one set of rules for 28 countries. As long as they are designed well, it is

¹ <http://www.ons.gov.uk/ons/rel/abs/annual-business-survey/exporters-and-importers-in-great-britain--2014/sty-exporters-and-importers.html>

² <http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS>

³ <http://www.ons.gov.uk/ons/rel/abs/annual-business-survey/exporters-and-importers-in-great-britain--2014/sty-exporters-and-importers.html>

⁴ www.parliament.uk/briefing-papers/sn06152.pdf

⁵ <http://www.ons.gov.uk/ons/rel/uktrade/uk-trade/august-2015/index.html>

⁶ <http://www.ons.gov.uk/ons/publications/reference-tables.html?edition=tcm:77-391872>

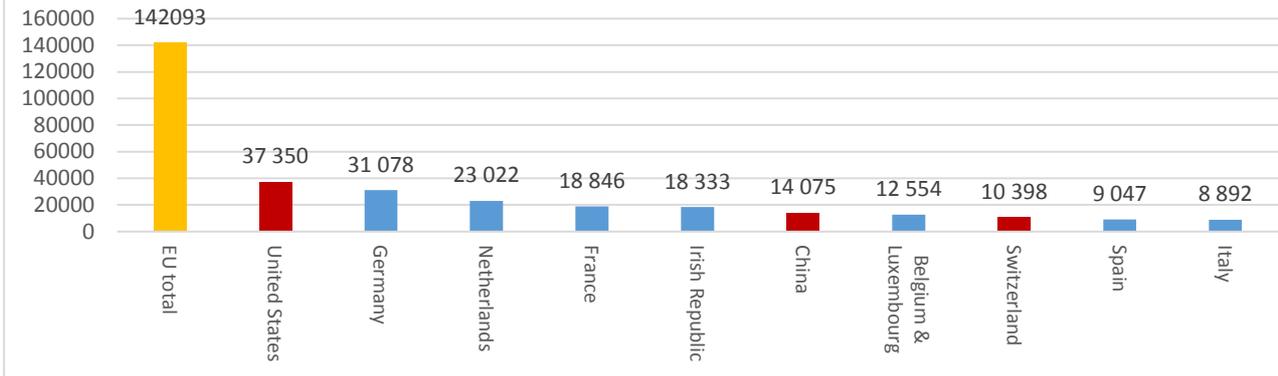
⁷ <http://www.ons.gov.uk/ons/rel/uktrade/uk-trade/august-2015/index.html>

⁸ <http://www.ons.gov.uk/ons/publications/reference-tables.html?edition=tcm:77-391872>

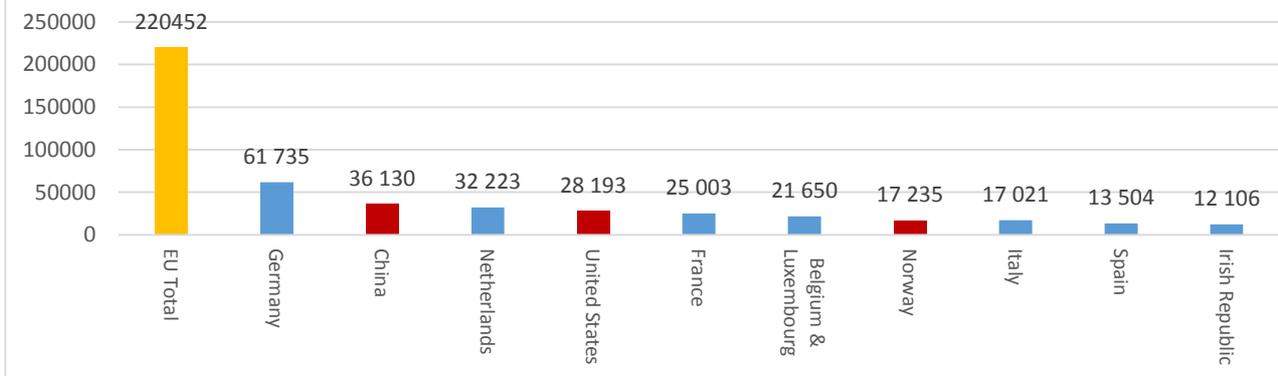
⁹

http://www.oecd.org/sti/ind/tiva/CN_2015_UnitedKingdom.pdf

UK's Top 10 Export Markets (Value £million)



UK's Top 10 Import Sources (Value £million)



advantageous for the UK to have common regulations with our neighbours, as it increases the ease of doing business abroad for companies, makes timely delivery more likely and ensures both that UK firms can integrate into foreign supply chains and also that foreign components are fit for purpose for UK firms.

Small businesses benefit from trade too.

Trade is important to Britain's small businesses. 10.3% of Britain's small business directly export,¹⁰ but a far greater number benefit indirectly from trade through supply-chains. There are, for example, 2,049 automotive suppliers in the UK, who employ 78,000 people between them¹¹. With an average of 38 employees, many of these are SMEs, which supply component parts of the final product for export or domestic sale. Britain exported 1,228,777 vehicles in 2014 (78.2% of the number it built), and 53.1% were exported to the EU.

Small firms, including independent high street retailers, which do not directly import themselves do

suppliers and distributors. They benefit indirectly from trade.

Non-trading firms also do not necessarily remain that way. As small firms look to grow, they make look to start importing – to access new goods or services – or exporting. Because the rules are the same, the EU is often the first place smaller firms look to start trading with, as a springboard to trade with the rest of the world.

The true significance of trade to Britain can be understated if the number of trading firms alone is taken. In terms of the value trading firms add to the economy, the number of British jobs that they support, and the small companies benefiting through supply chains, trading firms are of huge importance to increasing Britain's prosperity. The European Union is a significant factor in Britain's success as a trading nation, and continuing full access to the EU single market is important to the majority of CBI members.

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¹⁰ <http://www.ons.gov.uk/ons/rel/abs/annual-business-survey/exporters-and-importers-in-great-britain--2014/sty-exporters-and-importers.html>

¹¹ http://www.smmmt.co.uk/wp-content/uploads/sites/2/100049_SMMT-Facts-Guide-2015.pdf