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CHINA TRADE TRACKER

Issue Seven | May 2023



China Trade Tracker

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BACKGROUND

The China Trade Tracker

The China Trade Tracker was launched by the China-Britain Business Council (CBBC) in 2021 as a reference tool providing the facts and figures about UK-China trade, and how trade with the world's second biggest economy impacts the British economy.

Issue Seven provides an overview of Chinese trade in the second half of 2022 (Jul 1 – Dec 31) and analysis of UK macro regions from north to south. It draws on HM Revenue & Customs (HMRC) data compiled by CBBC.

The China-Britain Business Council and its members

CBBC is the UK's leading business network supporting trade, education, and investment links with China. Our membership includes over 400 UK businesses and universities.

Since 1954 we have acted as the independent voice of business, and past Chairs include Lord Powell, former foreign affairs advisor to Prime Minister Margaret Thatcher, and Sir David Brewer, former Lord Mayor of the City of London. The current Chair is Sir Sherard Cowper-Coles. Lord Sassoon is President.

Members include some of the most recognisable British businesses such as abrtn, Arup, Atkins, BP, Diageo, EY, HSBC, IHG Hotels and Resorts, Jaguar Land Rover, KPMG, Legal & General, PwC, Reckitt, Rio Tinto, Smith+Nephew, and Standard Chartered.

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FOREWORD

Andrew Seaton – Chief Executive at China-Britain Business Council

This, the seventh edition of CBBC’s China Trade Tracker, comes at a critically important point in UK-China trade relations.

China lifted its epidemic restrictions last December, leading to a rapid uptick in domestic consumption and opening the door to business travel and exchanges for the first time in three years.

While geopolitical tensions remain high, the UK government recently acknowledged in its Integrated Review Refresh of foreign and security policy the importance of continued engagement and maintaining economic ties with China. And in his Mansion House speech on China in April, Foreign Secretary James Cleverley encouraged British companies to pursue business with China.

Meanwhile, top Chinese government officials are stressing that the country is open to foreign business and investment, and that boosting economic growth – forecast at over 5% for this year – is a top priority.

All this adds up to a highly positive prospect for UK businesses. In particular, the demand from China’s 400 million middle class consumers presents a key opportunity.

This tracker covers regional UK trade with China in H2 2022. It shows year-on-year export growth in many categories despite spanning an economically difficult time for China. This points to the huge potential for further export growth.

At a time when re-building UK economic growth is at the top of the agenda, maximising UK exports to the world’s second biggest economy is a powerful driver of prosperity and jobs across the UK.



“We believe in a positive trade and investment relationship... We want British companies to do business with China – just as American, ASEAN, Australian and EU companies currently do.”

**James Cleverley, UK Foreign Secretary,
25th April 2023**

“While avoiding dependencies in our critical supply chains and protecting our national security, we believe that a positive trade and investment relationship can benefit both the UK and China, and the Government will work with industry to ensure trading and investment is safe, reciprocal and mutually beneficial.”

**The Integrated Review Refresh
– HM Government 13th March 2023**

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Trade with China and the UK Economy

UK-China trade in services and goods make an important contribution to the UK economy at the national and regional level.

A 2020 report by Cambridge Econometrics found that goods trade, tourism, and education between the UK and China supported up to **129,000** jobs across the UK.

According to Office for National Statistics (ONS) data, total UK-China two-way trade in goods and services increased **18.3%** to **£111 billion** in 2022. **UK exports** grew by over **37.7%** to **£37.6bn** – a new record high.

This made China the UK's **fourth** largest trading partner over that period after the US, Germany, and Netherlands.

Robust Chinese demand – particularly from its burgeoning middle class who value authentic and high-quality products – is leading to profitable export opportunities for UK businesses during a turbulent economic period.

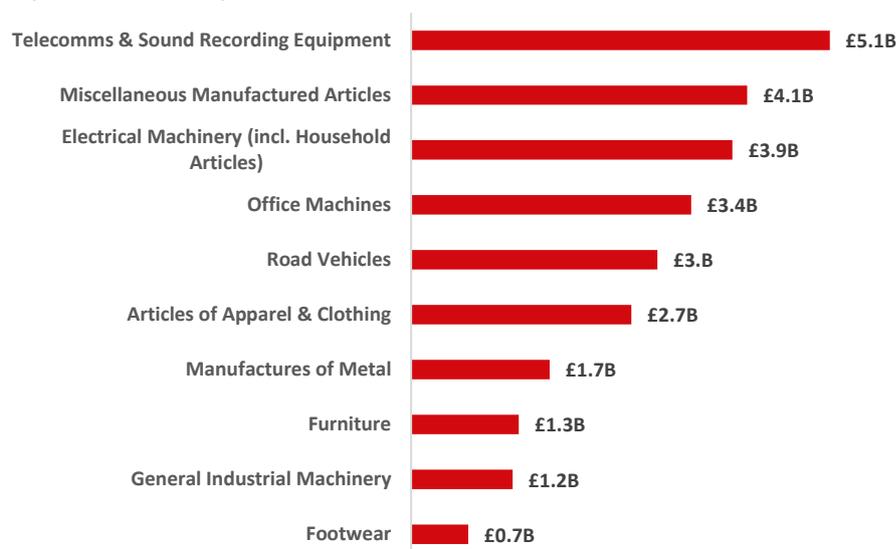
Chinese imports, meanwhile, are helping the UK to weather its cost-of-living crisis and spiralling inflation. Most of China's top ten imports to the UK in the second half of 2022 were consumer goods (the top category, telecomms, includes mobile phone sales). This has helped ensure a standard of living for households that might otherwise be unaffordable.

IMF estimates China, the second largest economy in the world, will grow by 5.2% in 2023

Total bilateral trade with China worth 111 billion (+18.3% YoY) in 2022

Market opportunity even more significant with expected increase of China's middle-class to over 400 million people

Top 10 Chinese Imports to the UK in H2 2022 (HMRC Data)



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KEY FINDINGS IN THE SECOND HALF OF 2022 (JULY TO DECEMBER)

The picture of UK-China trade in the second half of 2022 was generally positive, particularly given the major economic challenges faced by both markets.

According to HMRC data – which gives lower totals than ONS data due to its differing method of data collection but provides a useful region-by-region breakdown of the UK’s trade – goods exports from all UK regions to China grew **4.7%** year-on-year to **£7.87 billion** in H2 2022. Goods imports from China reached **£36 billion (+6.2% YoY)**.

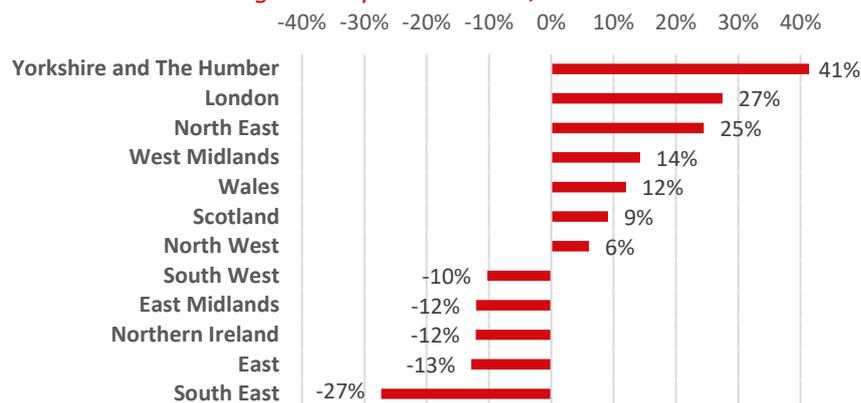
Out of the twelve macro regions HMRC divides the UK into, **seven** experienced **positive export growth** to China in H2 2022, of which **five** enjoyed **double-digit growth**. This amounted to an additional **£352 million** in exports compared with H2 2021.

UK goods exports in H2 2022 worth £7.87bn (+4.7% YoY)

Chinese imports in H2 2022 worth £36bn (+6.2% YoY)

Exports from Yorkshire and The Humber grew 41% YoY

YoY Growth in UK Regional Exports to China, H2 2022



Among UK regions, Yorkshire and the Humber was the biggest success of H2, with exports to China growing **41%** year-on-year to a record high of **£412.8 million**, thanks to a surge in petroleum exports.

Half-Yearly Yorkshire Exports to China, 2018-2022



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Welsh exports to China grew **12%** to **£374.4** million in H2 2022, continuing its uninterrupted run of positive year-on-year growth that began in H2 2015.

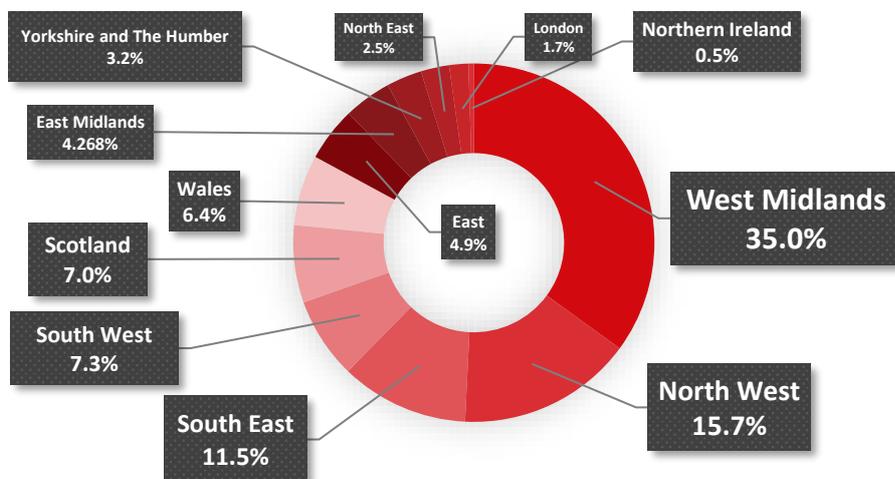
Scottish exports to China finally recovered **9.1%** year-on-year after falling for five consecutive 6-month periods, in large part due to falling petroleum sales. Its exports were boosted by a **129%** year-on-year increase in beverage sales.

UK's Top Exporters to China, H2 2022 and H2 2021



The top export to China for the UK was road vehicles, which grew **13%** year-on-year to **£1.98 billion** and contributed to the West Midlands' continued strong track record of exports.

Distribution of Road Vehicle Exports to China, H2 2022

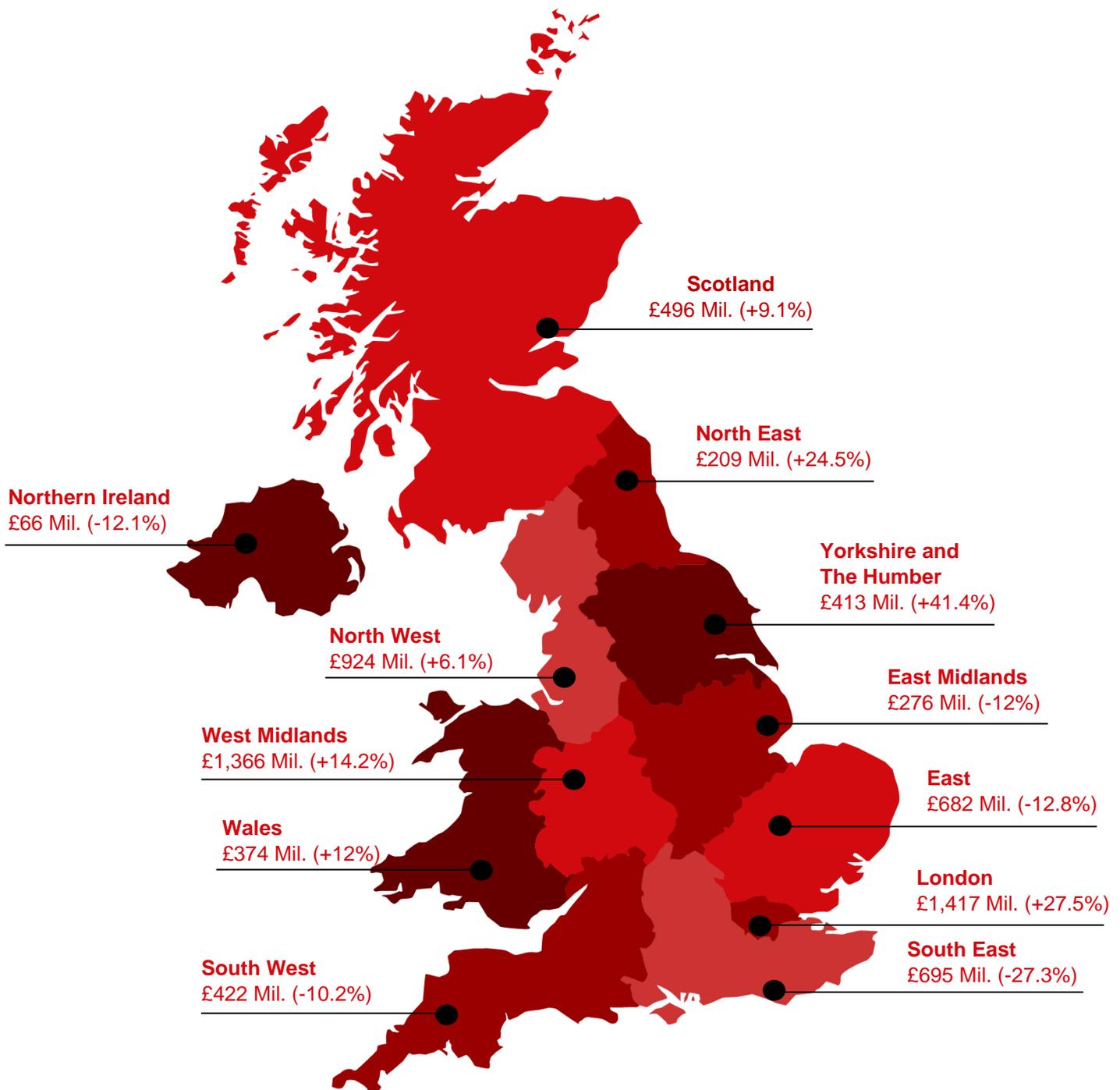


Despite the gains, many of the UK's top export categories fell by significant margins, including its third biggest export, medicinal and pharmaceutical products (**-10% YoY**), non-ferrous metals (**-33% YoY**), power generating machinery (**-6% YoY**), electric machinery (**-30% YoY**), and metalliferous ores (**-4% YoY**).

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REGIONAL GOODS EXPORTS TO CHINA, H2 2022



YoY change in % over H2 2021
Source: HMRC and CBBC analysis ©CBBC

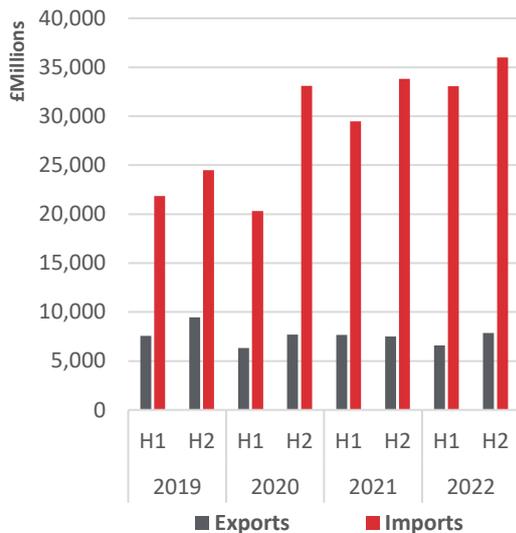
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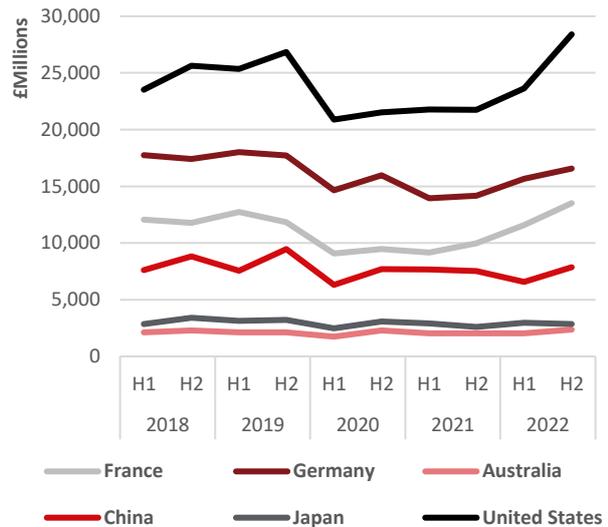
UK – ALL REGIONS

In H2 2022, UK goods exports to China grew by **4.7%** year-on-year after falling for two consecutive halves. UK regions also imported a record **£36 billion** in Chinese goods. The UK's top export, road vehicles, grew **13%** year-on-year, bringing in **£1.98 billion** in sales. Top performers in terms of growth included general industrial machinery & equipment (**+29% YoY**) and machinery specialised for particular industries (**+27% YoY**).

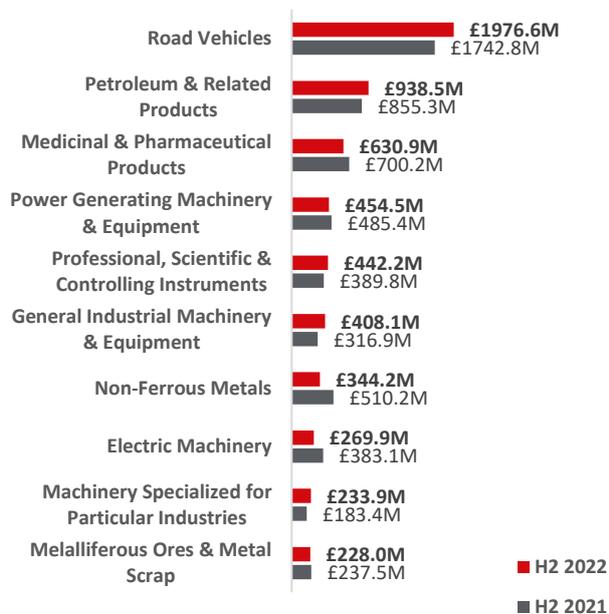
Trade with China since 2019



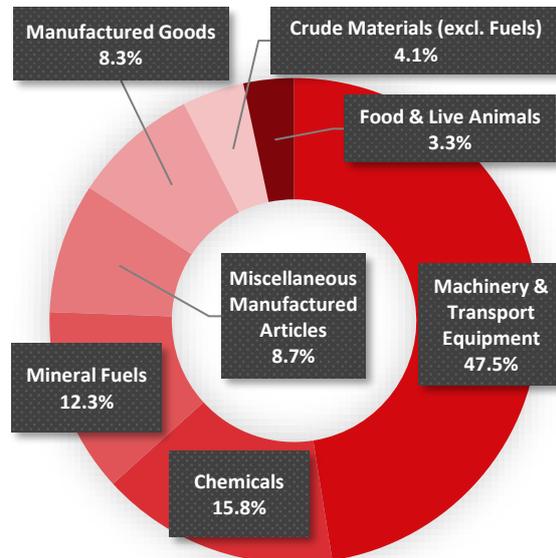
UK Goods Exports to Major Trading Partners



Top 10 Goods Exports to China in H2 (£M)



Export Distribution in H2



Source: HMRC ©CBBC

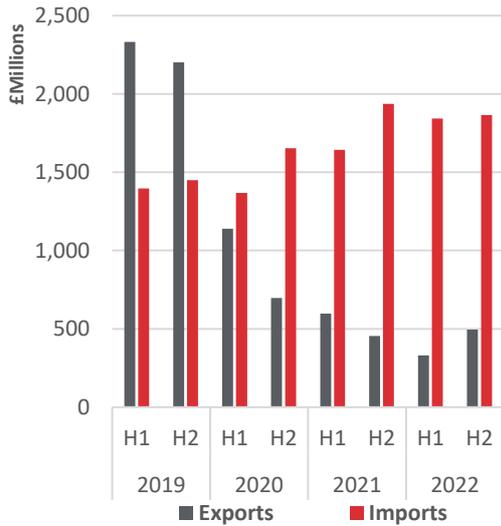
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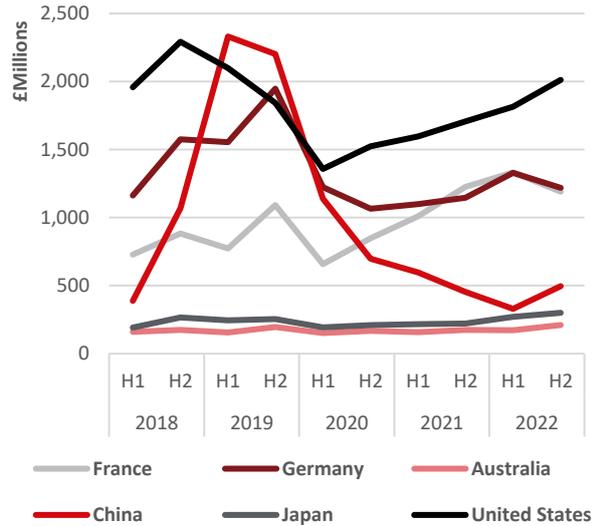
SCOTLAND

In the second half of 2022, total Scottish exports to China picked up **9.1%** year-on-year, marking the first half-year of net growth since petroleum sales peaked in H2 2019. Excluding petroleum, Scottish goods exports to China have been steadily increasing since 2016. Scotland's top three exports all rose, with beverages growing **129%** year-on-year, general industrial machinery & equipment growing **215%** year-on-year, and road vehicles growing **733%** year-on-year.

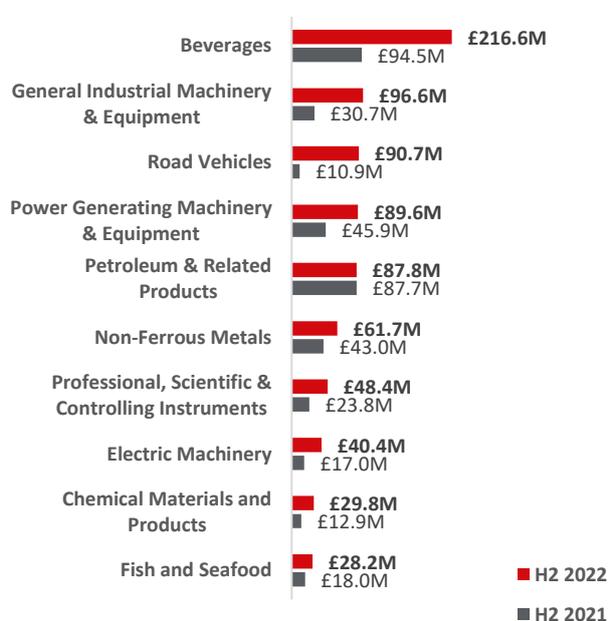
Trade with China since 2019



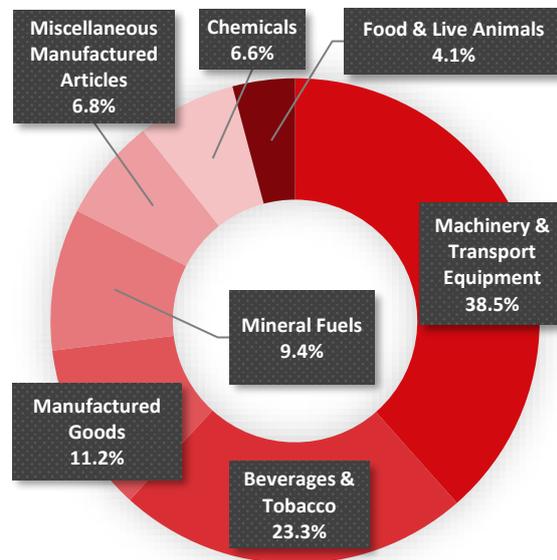
Regional Goods Exports to Major Trading Partners



Top 10 Goods Exports to China in H2 (£M)



Export Distribution in H2



Source: HMRC ©CBBC

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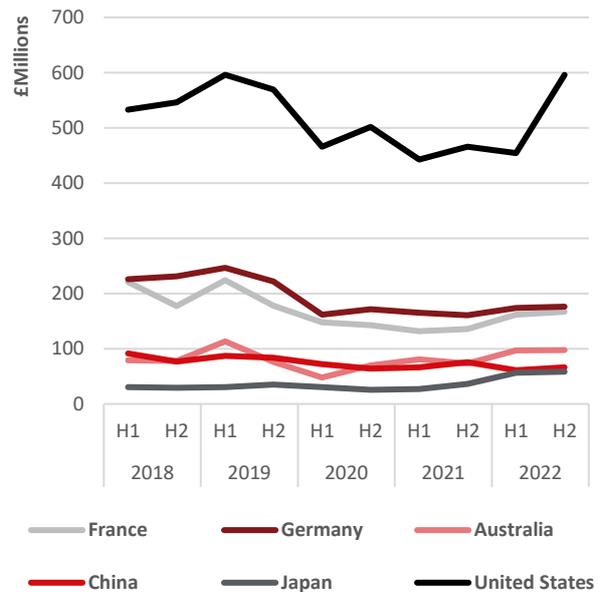
NORTHERN IRELAND

Northern Ireland's exports to China fell **12%** year-on-year in H2 2022, after also falling in H1. Top exports performed very well, however, with furniture and related items rising **90%** year-on-year to **£21 million**, and professional scientific and controlling equipment growing **89%** to **£20.1 million**. Other fast-growing categories included medical and pharmaceutical products (+188% YoY), meat (+116% YoY), and telecomms and sound recording equipment (+195% YoY).

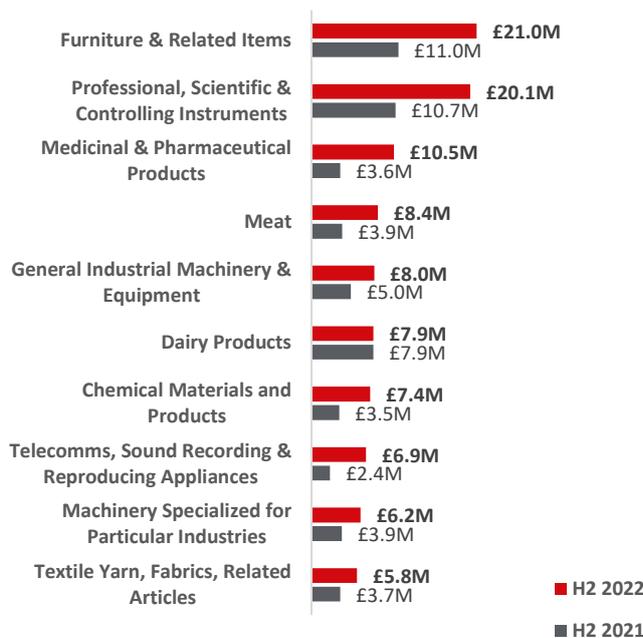
Trade with China since 2019



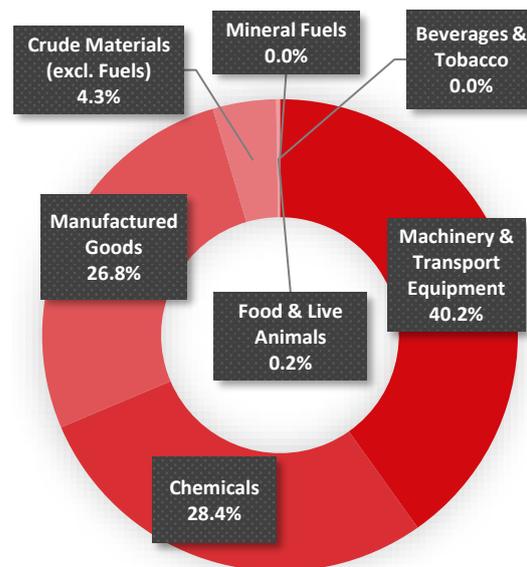
Regional Goods Exports to Major Trading Partners



Top 10 Goods Exports to China in H2 (£M)



Export Distribution in H2



Source: HMRC ©CBBC

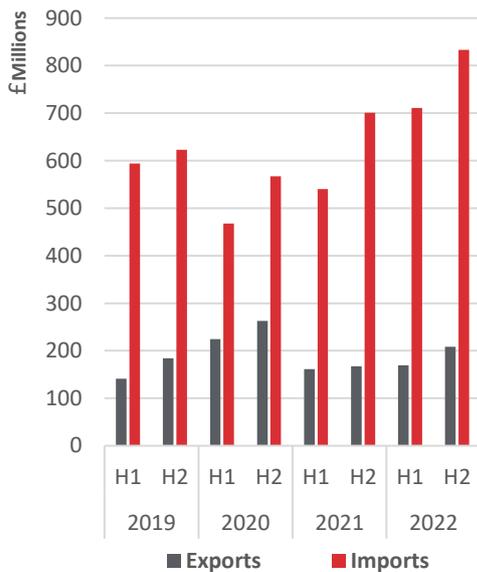
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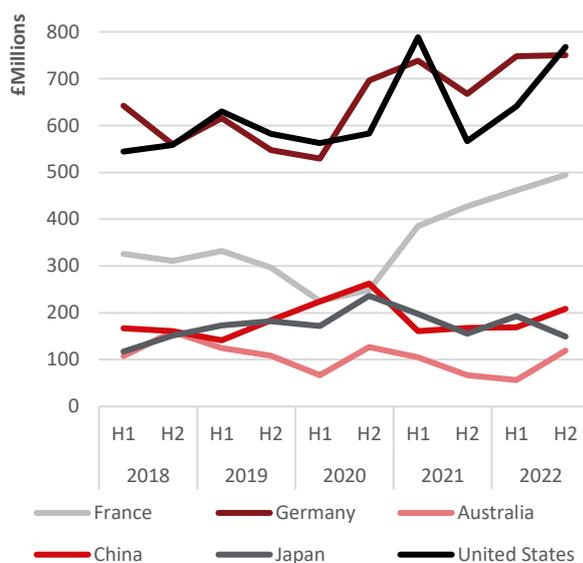
ENGLAND – NORTH EAST

Exports to China from England's North East grew an impressive **25%** year-on-year in H2 2022, to **£208.6 million**. The region's top two exports, power generating machinery and general industrial machinery, grew a combined **69%** year-on-year to **£68 million** and played a significant role in driving net export growth. Inorganic chemicals and plastics in non-primary forms achieved explosive levels of growth — **1039%** and **250%** respectively — pointing to the vast opportunities on offer in China's market.

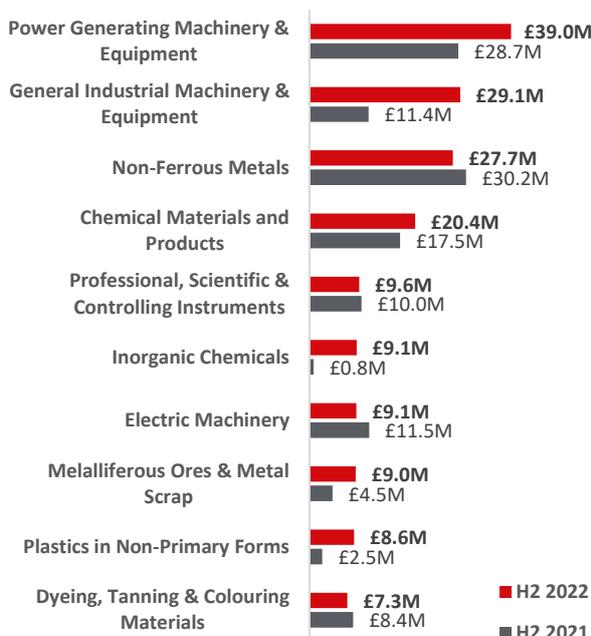
Trade with China since 2019



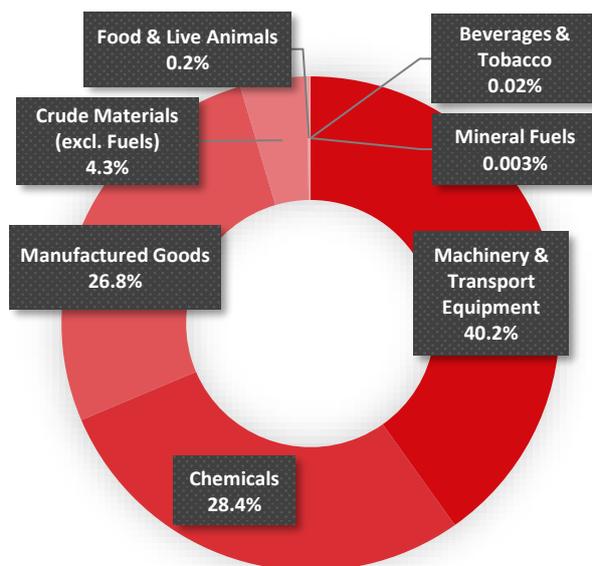
Regional Goods Exports to Major Trading Partners



Top 10 Goods Exports to China in H2 (£M)



Export Distribution in H2



Source: HMRC ©CBBC

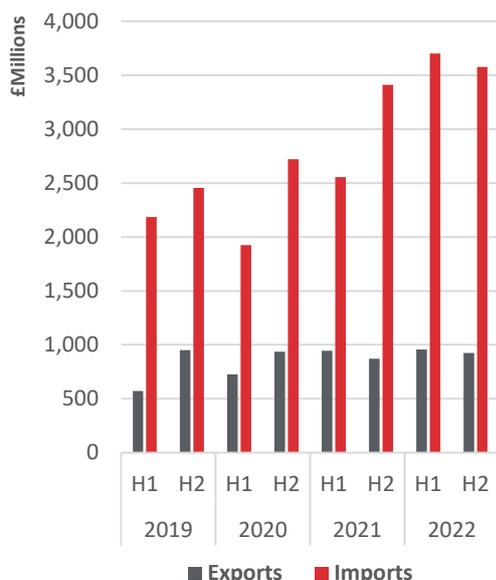
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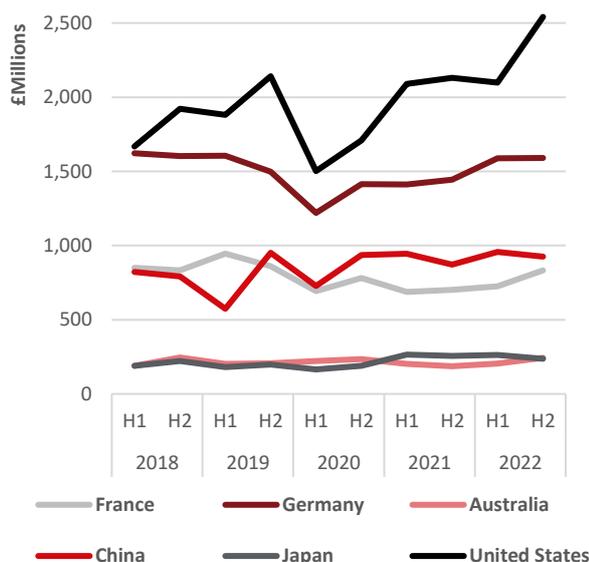
ENGLAND – NORTH WEST

Exports from North West England to China have been comparatively stable in recent years, and H2 2022 was no different. Total exports grew **6.1%** year-on-year to **£924 million** and were just **3%** below their pre-pandemic peak of **£952 million** in H2 2019. Road vehicles, which remained by far the largest export category, fell **0.2%** year-on-year to **£406.7 million**. Smaller export categories fared much better: Among the North West's top-ten export categories, six experienced year-on-year growth of between **23-78%**.

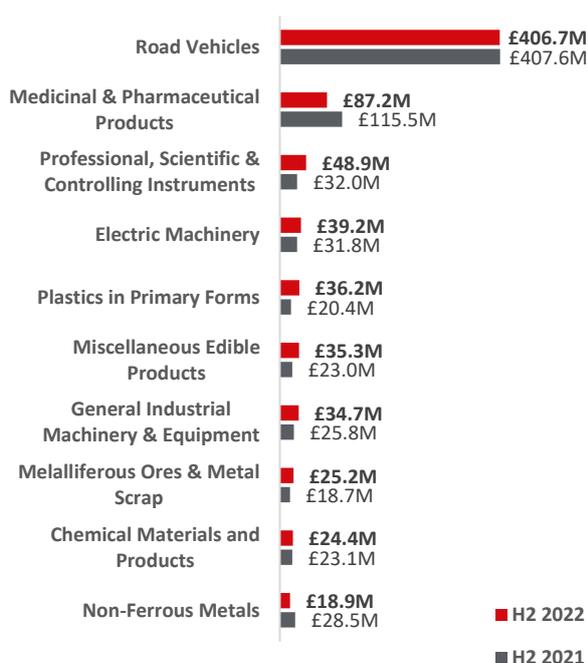
Trade with China since 2019



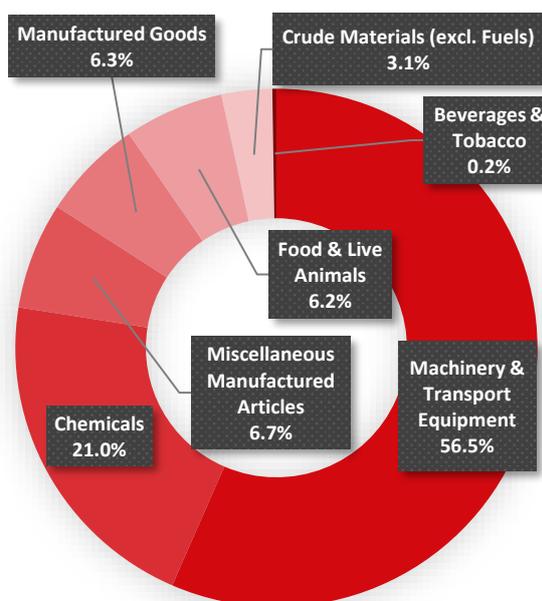
Regional Goods Exports to Major Trading Partners



Top 10 Goods Exports to China in H2 (£M)



Export Distribution in H2



Source: HMRC ©CBBC

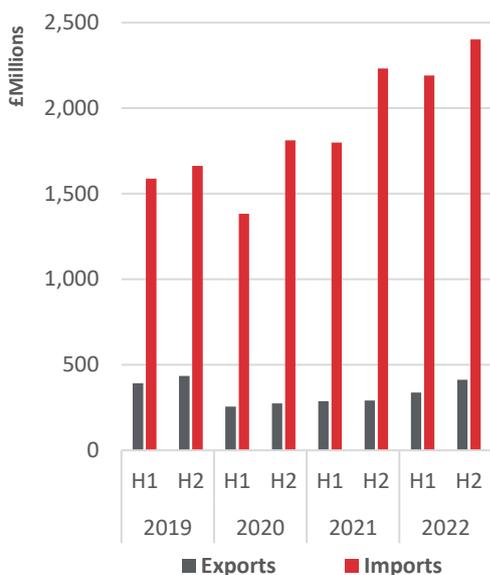
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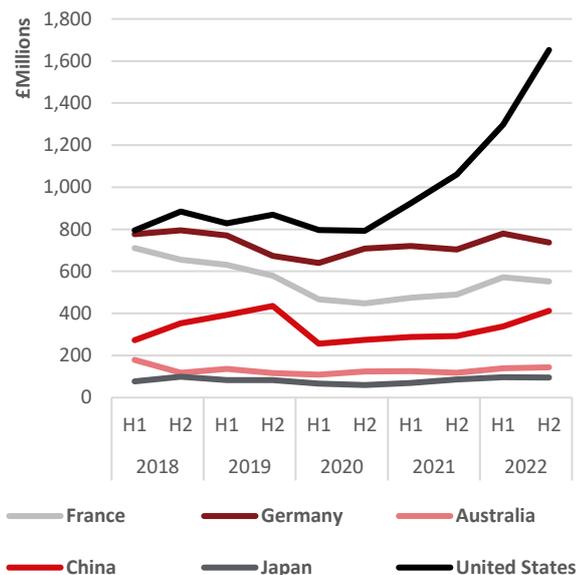
ENGLAND – YORKSHIRE AND THE HUMBER

Yorkshire and the Humber experienced the fastest year-on-year growth of all UK regions in the second half of 2022. It grew **41%** to **£413 million** in H2 2022 thanks to the positive year-on-year growth of all top exports, particularly petroleum and related products, which shot up **136%** to **£98.5 million**. Given their strong upward trajectory, Yorkshire and the Humber’s exports to China may soon hit record levels.

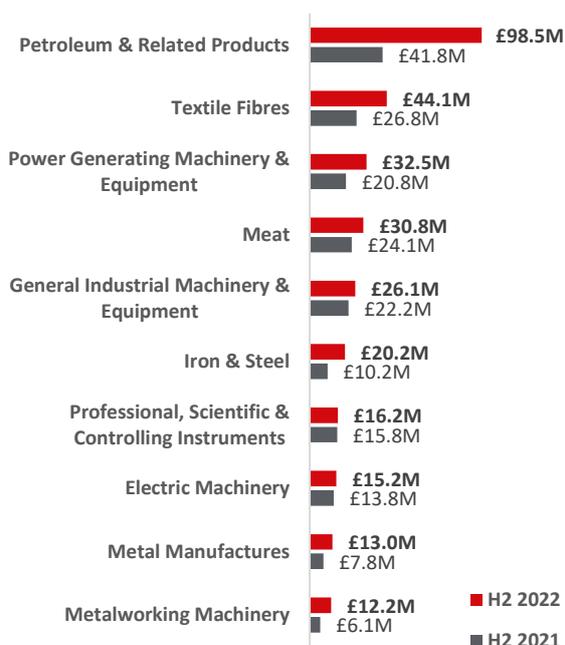
Trade with China since 2019



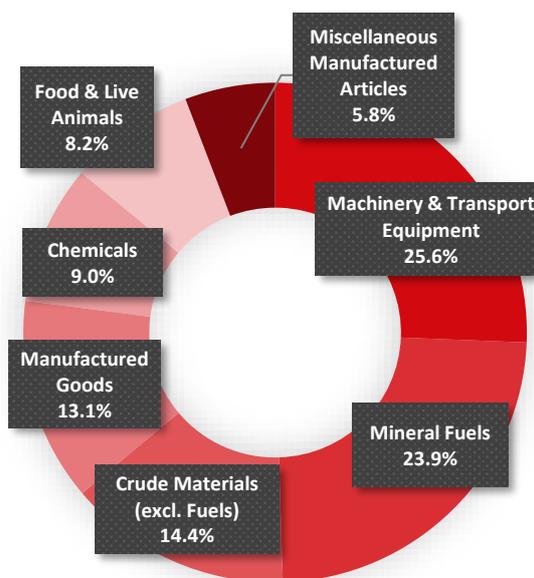
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Top 10 Goods Exports to China in H2 (£M)



Export Distribution in H2



Source: HMRC ©CBBC

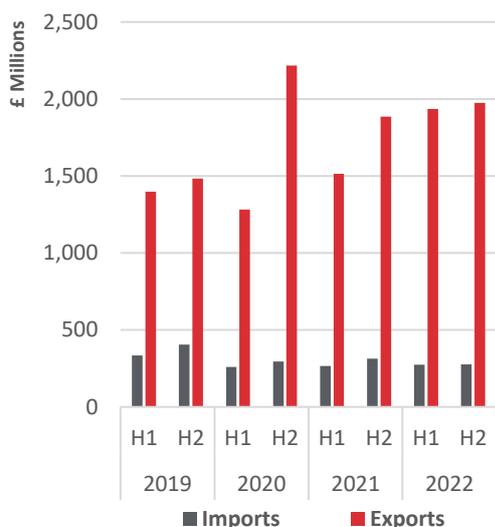
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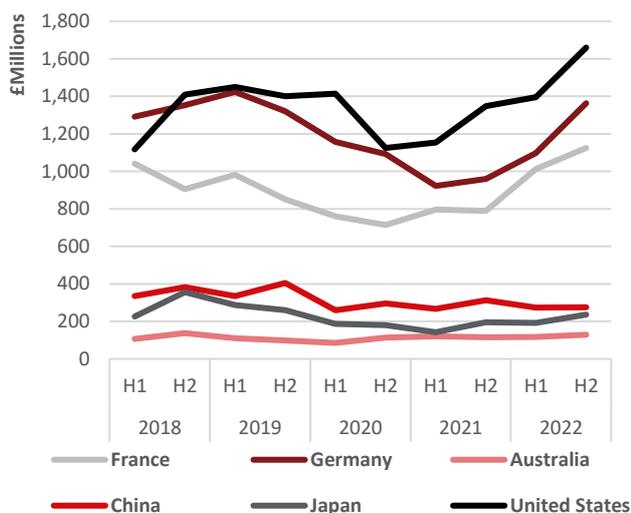
ENGLAND – EAST MIDLANDS

Goods exports to China from the East Midlands fell **12%** year-on-year to **£276 million** in H2 2022. This was due to depressed demand for several top export goods categories, including power generating machinery (-22% YoY), electric machinery (-71% YoY), and metal manufactures (-40% YoY). The region's biggest export success stories were medicinal and pharmaceutical products, which shot up **977%** from a low base to **£8.8 million**, and professional, scientific and controlling instruments, which grew **31%** to **£42.2 million**.

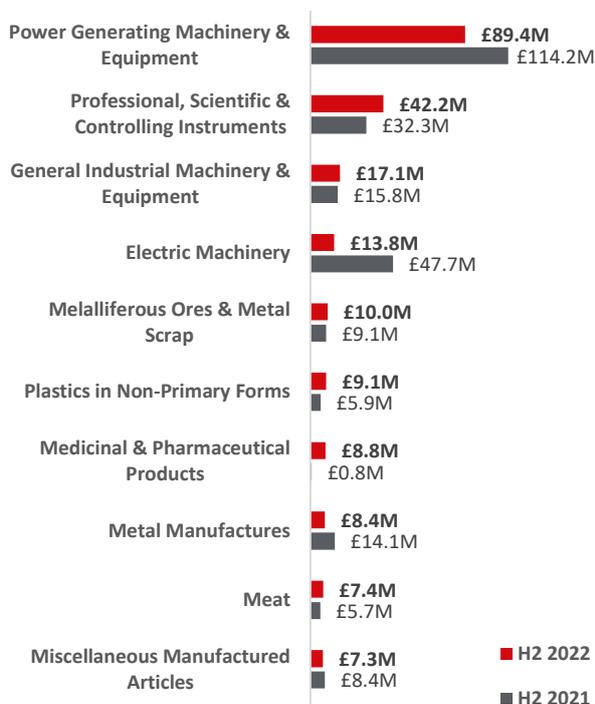
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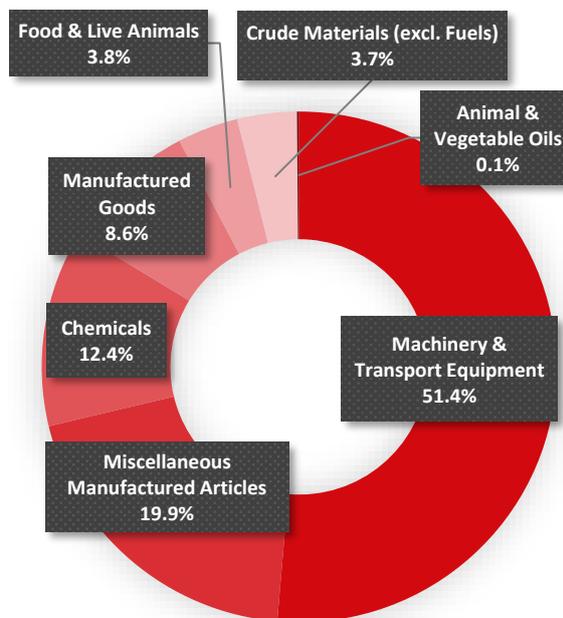
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Top 10 Goods Exports to China in H2 (£M)



Export Distribution in H2



Source: HMRC ©CBBC

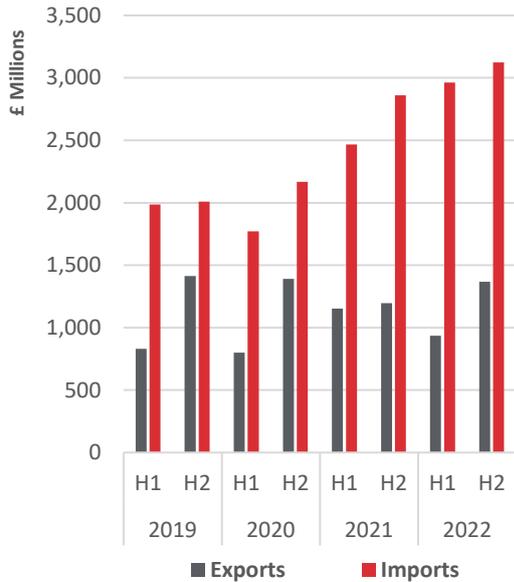
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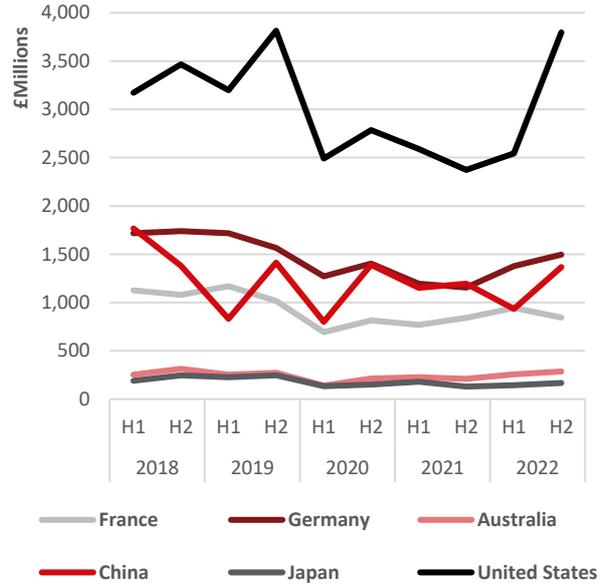
ENGLAND – WEST MIDLANDS

After a poor first half of the year (-19% YoY), exports from the West Midlands to China — the region's third biggest export market — grew **14%** year-on-year to a total of **£1.37 billion**, making it the UK's largest goods exporter outside London. Exports of road vehicles, which have been highly volatile over the past 15 years, were up **18%** to **£1.02 billion**.

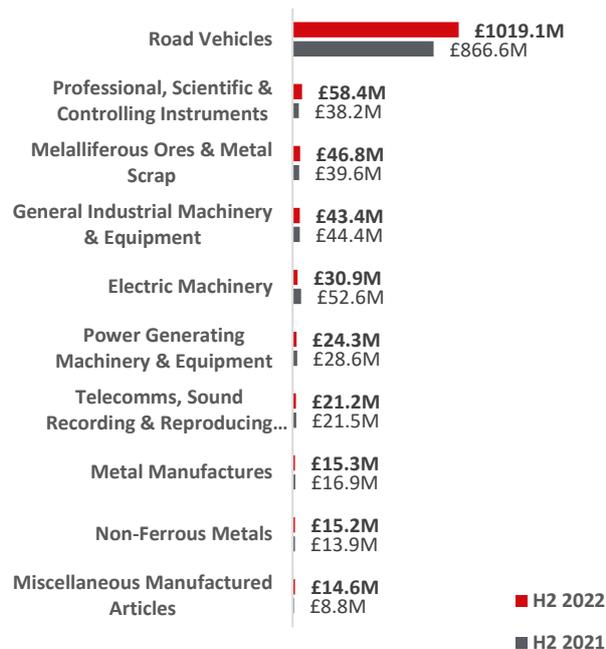
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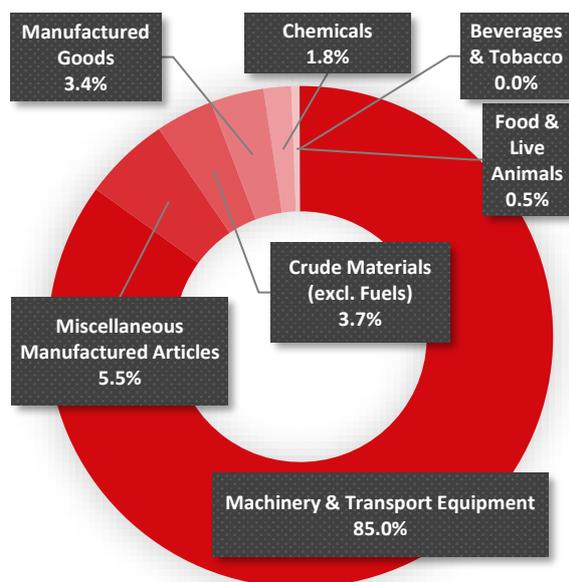
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Top 10 Goods Exports to China in H2 (£M)



Export Distribution in H2



Source: HMRC ©CBBC

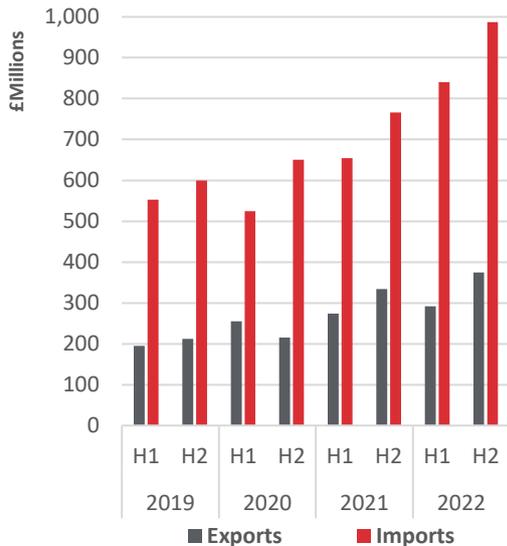
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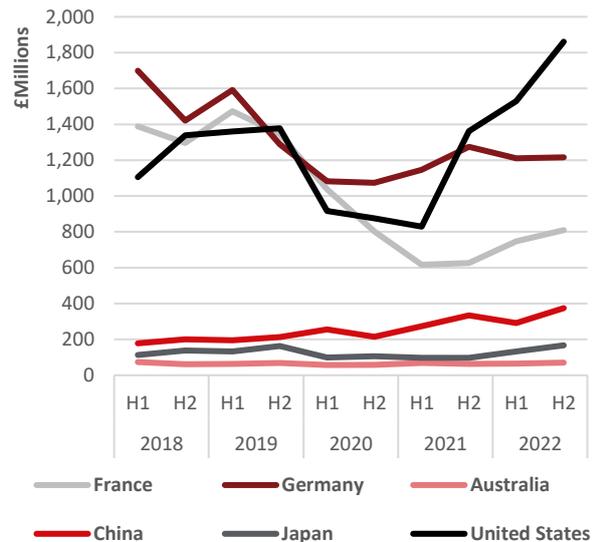
WALES

Welsh exports to China are on a clear upward trajectory, having experienced year-on-year growth every half-year since H2 2015. In H2 2022, exports grew **12%** year-on-year to **£374 million**. Wales's top export, specialised machinery (£114.2m), was also its second-fastest grower, expanding **98%** year-on-year. Exports of road vehicles and metal manufactures were also successful, growing at **100%** and **123%** respectively.

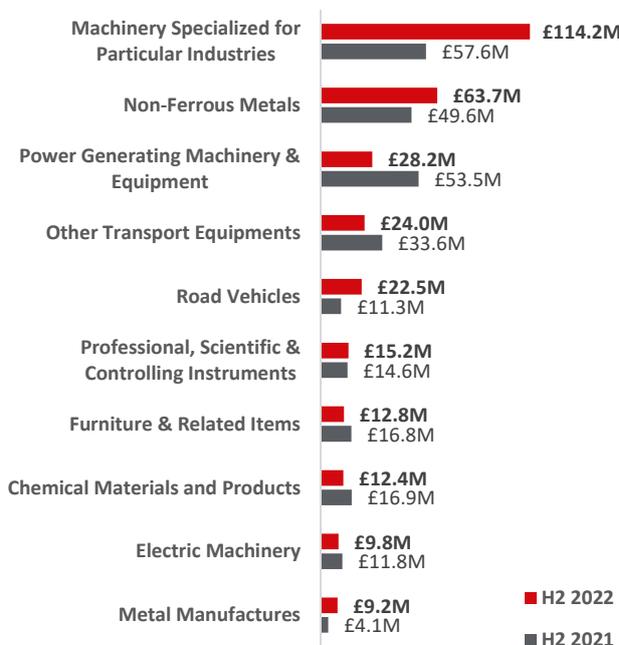
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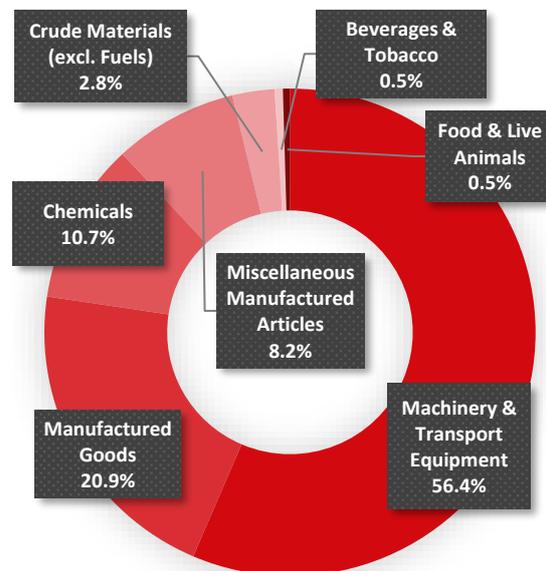
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Source: HMRC ©CBBC

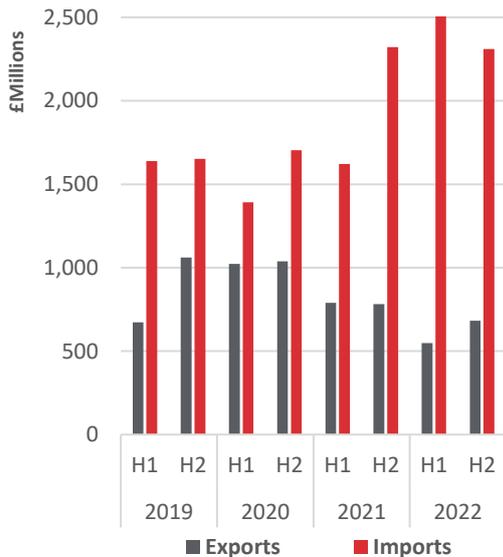
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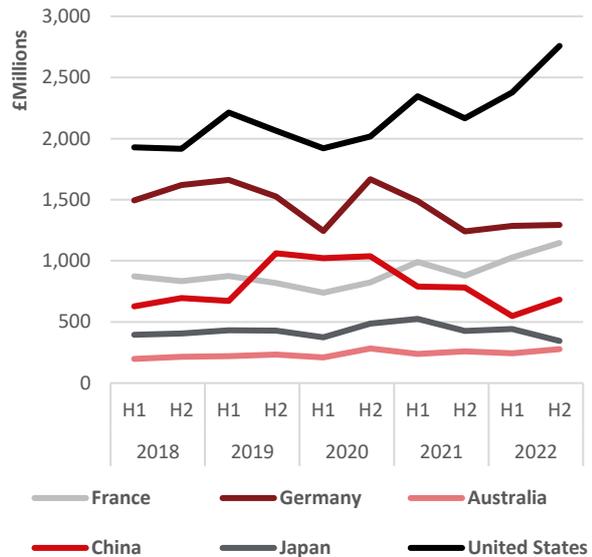
ENGLAND – EAST

Exports from the East of England fell **13%** to **£682 million** in H2 2022. Following a high of **£1.06 billion** in H2 2019 — when medicinal and pharmaceutical exports topped **£956 million** — year-on-year growth in exports has stalled for five half-year periods. While still the region's top export, medicinal and pharmaceutical products fell **34%** in H2 2022 to **£236.9 million**.

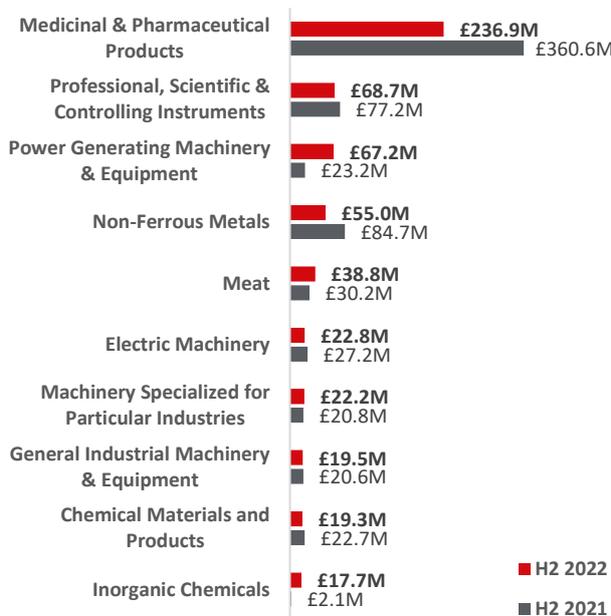
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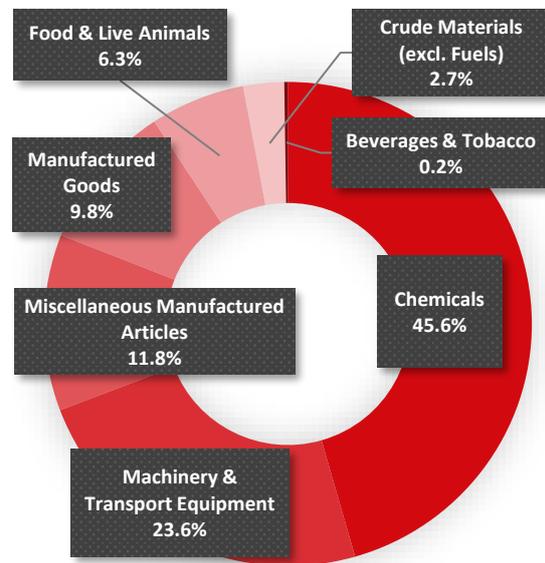
Regional Goods Exports to Major Trading Partners



Top 10 Goods Exports to China in H2 (£M)



Export Distribution in H2



Source: HMRC ©CBBC

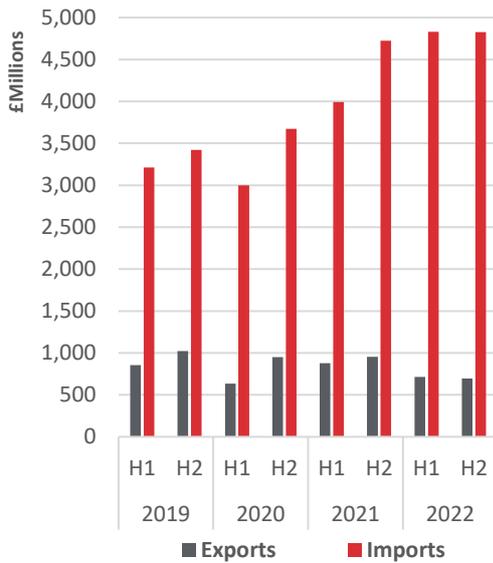
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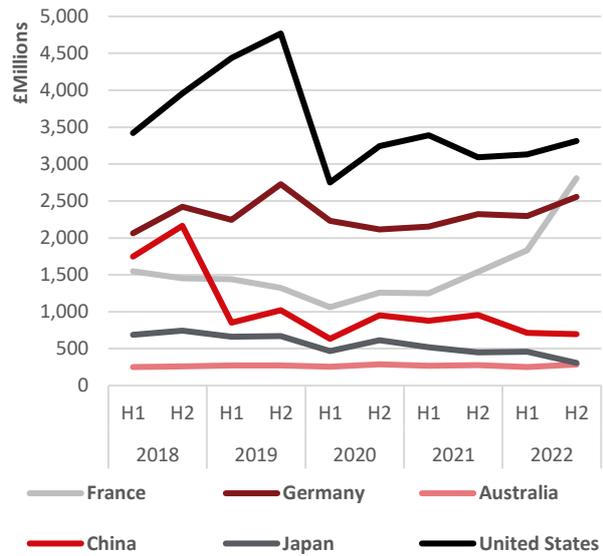
ENGLAND – SOUTH EAST

Exports to China from the South East fell by **27%** year-on-year in 2022. This was tied to a sharp decrease in the region's top export, road vehicles, which fell **56%** year-on-year to **£175 million**. As with other regions, inorganic chemicals experienced massive growth, rising **2764%** from a low base to **£33.9 million**.

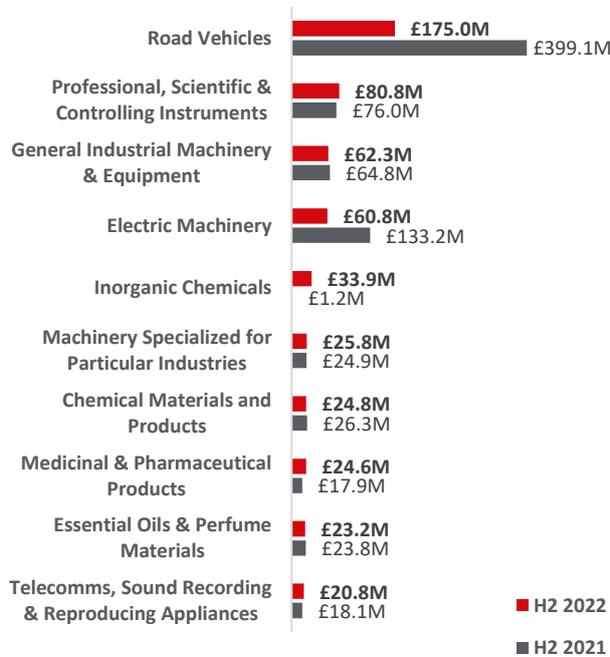
Trade with China since 2019



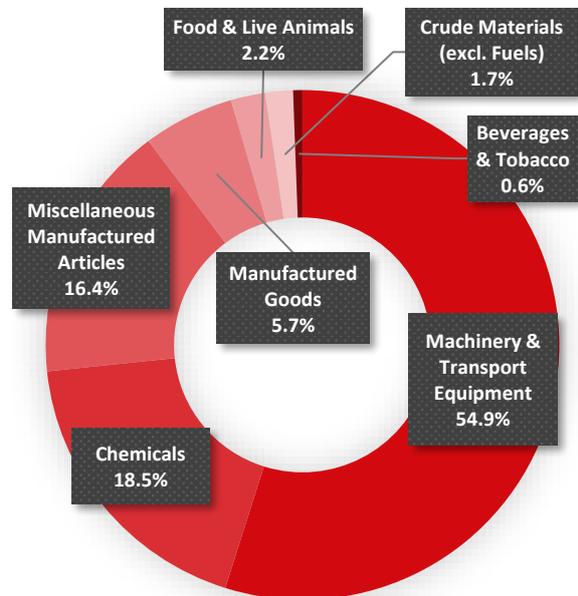
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Source: HMRC ©CBBC

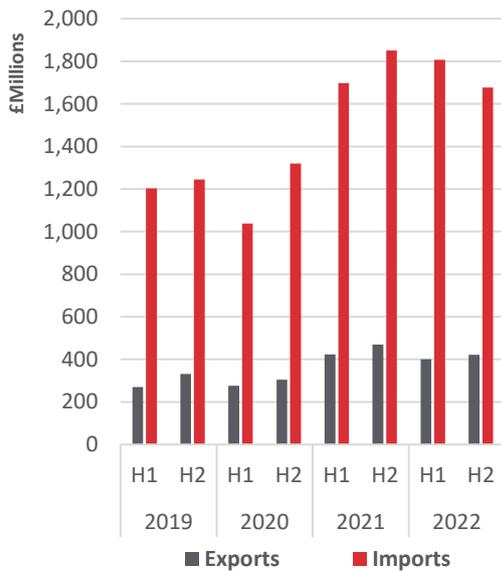
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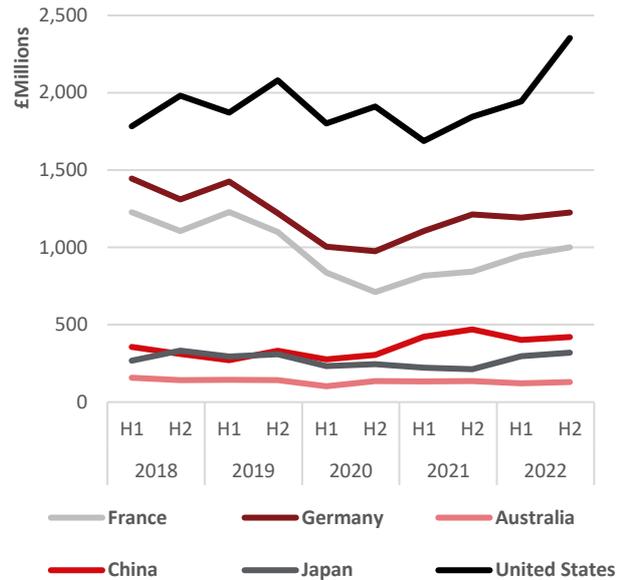
ENGLAND – SOUTH WEST

In H2 2022, exports to China from the South West fell **10%** year-on-year to **£421.5 million**, the second consecutive drop in year-on-year growth. Two categories fell sharply: the regions' second-largest export, power generating machinery, which fell **40%** to **£73.6 million**, and non-ferrous metals, which fell **58%** to **£19.6 million**.

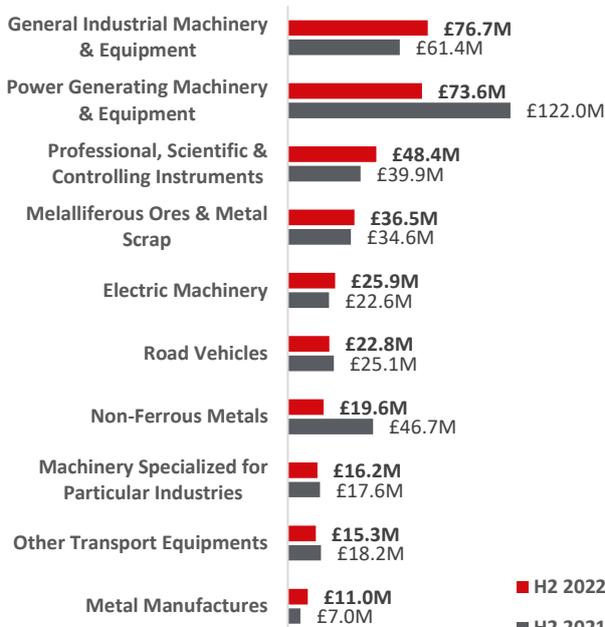
Trade with China since 2019



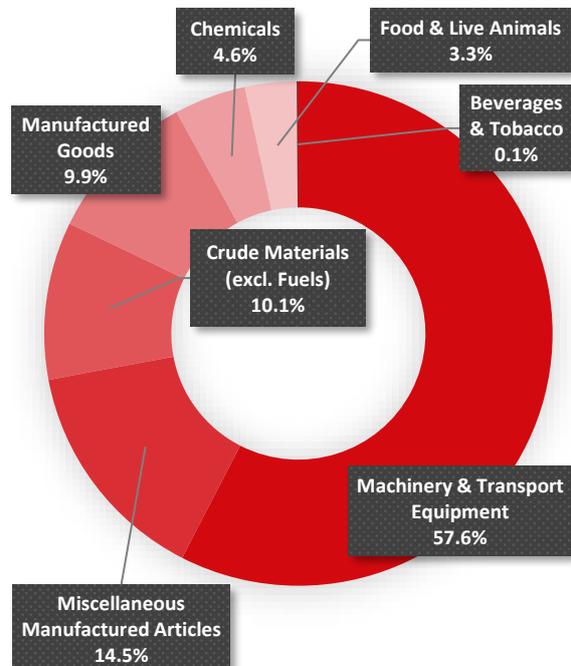
Regional Goods Exports to Major Trading Partners



Top 10 Goods Exports to China in Q1 (£M)



Export Distribution in Q1



Source: HMRC ©CBBC

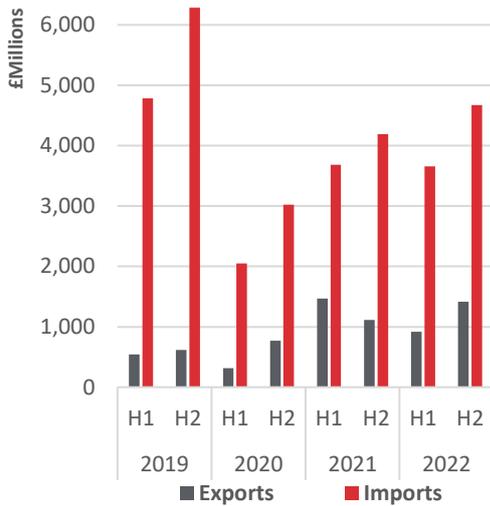
China Trade Tracker

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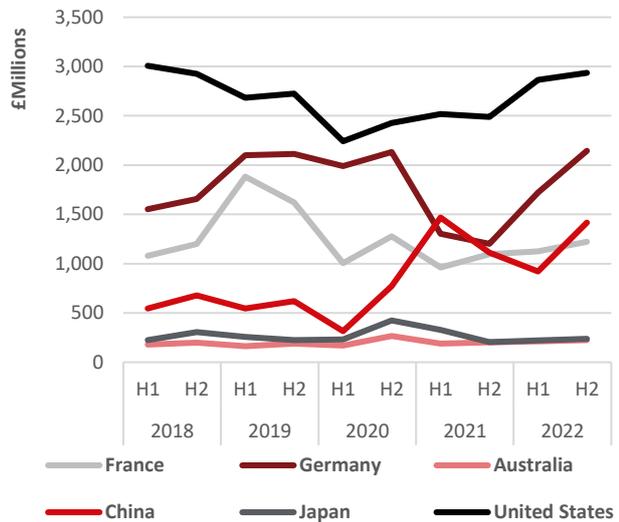
ENGLAND – LONDON

The UK's strongest economic region had a favourable second half of the year, with total exports growing **27%** year-on-year to **£1.4 billion**, more than double pre-pandemic levels. Robust demand for petroleum and related products resulted in **65%** year-on-year growth in sales, to a total of **£837.4 million**. Medicinal and pharmaceutical product exports also did well, growing **33%** to **£214 million**.

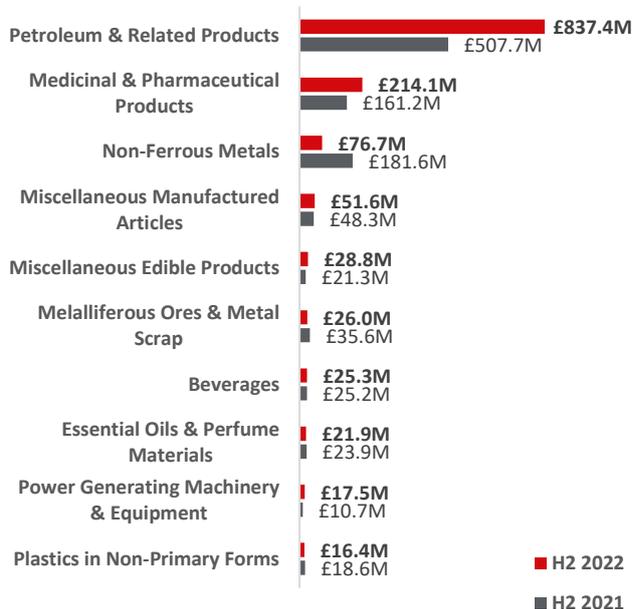
Trade with China since 2019



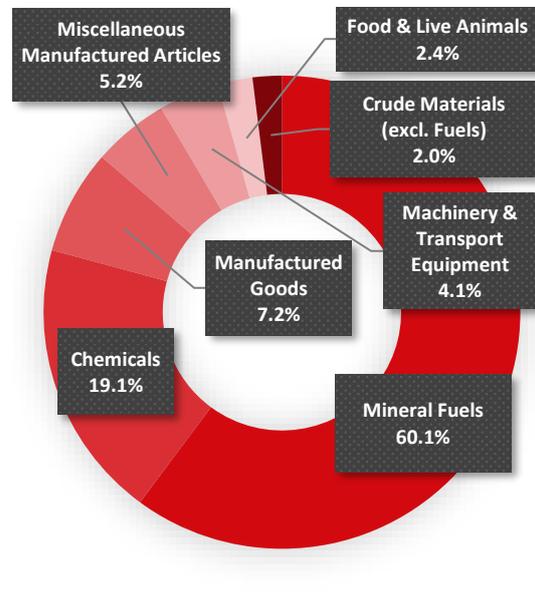
Regional Goods Exports to Major Trading Partners



Top 10 Goods Exports to China in H2 (£M)



Export Distribution in H2



Source: HMRC ©CBBC

China Trade Tracker

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About the author



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The Tracker covers the period between H1 2013 and H2 2022. Unless otherwise noted, all national data is based on ONS data and regional data is obtained from the HMRC database. All trade data is subject to revisions and may therefore change from edition to edition. The analysis is conducted by CBBC.

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