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CHINA TRADE TRACKER

Issue Eight | November 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. It is updated on a half-yearly basis.

Issue Eight provides an overview of trade between 12 UK regions and China in the four quarters up to Q2 2023.

To provide a more accurate picture of the breadth of UK-China trade, the Tracker now includes data from Hong Kong, the Special Administrative Region through which much UK trade passes into Mainland China. Unless stated otherwise, references to China in this report include Hong Kong.

HMRC Data

This report uses HM Revenue and Customs (HMRC) data, which offers a breakdown of UK goods trade by region. HMRC trade figures tend to be lower than comparable data from the Office of National Statistics (ONS). This is due to differences in data collection methodology and the inclusion of volatile non-material items such as "non-monetary gold" in ONS goods trade data.

The China-Britain Business Council and its members

The China Britain Business Council 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 Honorary President.

Members include some of the most recognisable British businesses such as abrdn, 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

China is the UK's biggest trade partner in Asia and a fast-growing market for British goods. Trade with China promotes local economic growth, creates jobs, and fosters innovation. It enhances the UK's standard of living as well as its global standing.



Over the past year, China's growth has accelerated following the ending of pandemic era restrictions at the end of 2022. China's economy grew 4.9% in the last calendar quarter — outpacing most major economies — and its retail sales saw a 7.6% year-on-year increase in October.

While China's economy has not “taken off” as many anticipated, it is performing better than in 2022 and has managed difficult challenges such as the ongoing real estate crisis through investment and policy stimulus.

The effects of China's recovery can already be seen in UK trade figures. According to ONS data, UK goods exports to China and Hong Kong grew 71% to £44.4 billion in the four quarters to the end of Q2 2023.

According to HMRC data, East Midlands goods exports to China grew by 39.5%, the highest among UK macro regions — contributing close to £3 billion to the national economy.

China continues to present significant business opportunities owing to its vast market and rapidly growing middle class, a demographic that holds UK brands in high regard.

“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 goods exports to Mainland China grew **fifteen-fold** from 2000 to 2022, expanding at an average of **15%** a year, according to ONS data.

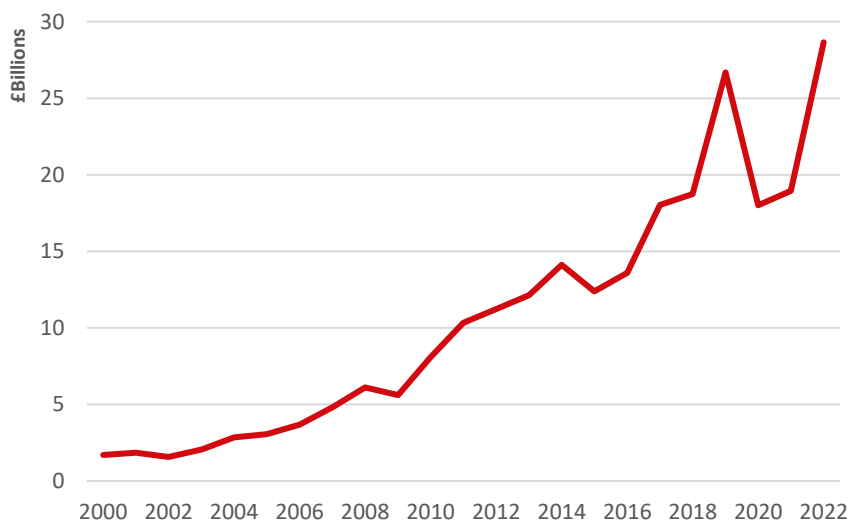
In the four quarters to the end of Q2 2023, two-way trade in goods and services between the UK and China (inc. Hong Kong) grew **10.6%** to **£138.6 billion** (ONS data). This made China the UK's **third biggest trading partner** after the US and Germany.

This surging trade helps all manner of businesses across the UK to thrive and employ people locally. Burberry – which manufactures goods in Yorkshire and Scotland – derives around **30%** of its sales from China, and experienced **46%** revenue growth in the second quarter of 2023. Similarly, Sound Leisure, a boutique Leeds-based jukebox maker, reports that China accounts for about **15%** of its business.

Imports from China benefit Britain, too. For UK residents, cost-effective Chinese-made products have enabled an otherwise unaffordable quality of life, especially during the recent cost-of-living crisis.

As China's government reforms its economy to become more consumption-orientated, export opportunities are likely to grow. Chinese consumer groups are rapidly evolving and diversifying – recent years have seen the rise of many new tech savvy consumer groups in China, including Gen-Z and Elderly consumers.

UK Goods Exports to China (£), 2000-2022 (ONS Data)



Source: ONS ©CBBC

The IMF estimates China, the second largest economy in the world, will grow by 4.6% in 2024

Total bilateral trade with China was worth £138.6 billion (+10.6% YoY) in the four quarters to the end of Q2 2023 (ONS)

China government focus on boosting consumption presents opportunities for UK business

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CBBC TRADE TRACKER: KEY FINDINGS IN THE FOUR QUARTERS TO THE END OF Q2 2023

According to HMRC data, total UK goods exports to China grew **4.6%** to **£21.5 billion** in the period recorded, after falling for three 12-month periods. This was likely due to the end of China’s restrictive zero-COVID-19 policy, resulting in a spike in consumption.

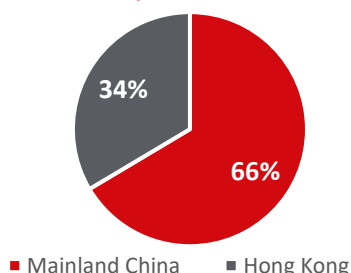
In the other direction, Chinese goods imports fell **4%** to **£71.2 billion**, suggesting a drop in UK demand driven by the cost-of-living crisis.

HONG KONG TRADE

This edition of the CBBC Trade Tracker includes export data from the Special Administration Region of Hong Kong for the first time.

Hong Kong received a **34%** share of UK goods exports to China in the four quarters to the end of Q2 2023, highlighting the ongoing importance of the trade hub.

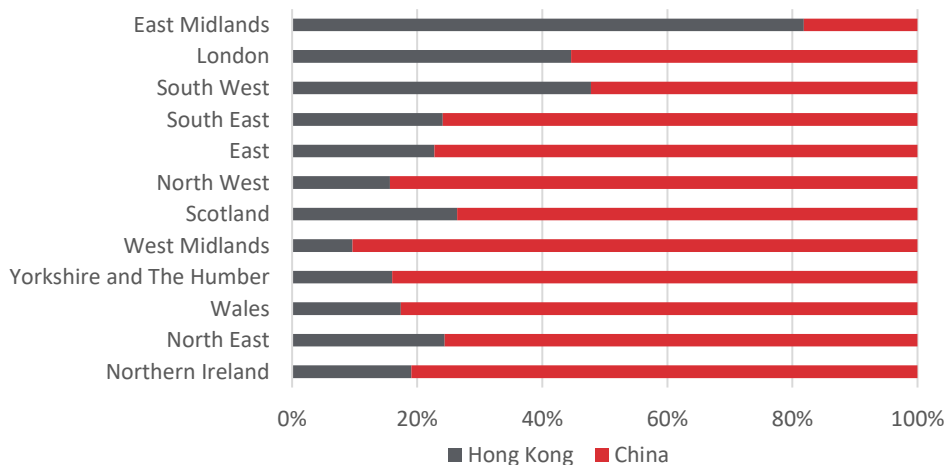
Share of UK Goods Exports, Four Quarters to the End of Q2 2023



Source: HMRC ©CBBC

Hong Kong is a major export market for several UK regions, especially the East Midlands (accounting for **82%** of this region’s exports to China), but also the South West (**48%**), London (**45%**), and Scotland (**26%**).

% Share of Goods Exports to China, Four Quarters to the End of Q2 2023



Source: HMRC ©CBBC

UK goods exports to China worth £21.5bn (+4.6% YoY) in the four quarters to the end of Q2 2023

Chinese imports worth £71.2bn (-4% YoY) in the four quarters to the end of Q2 2023

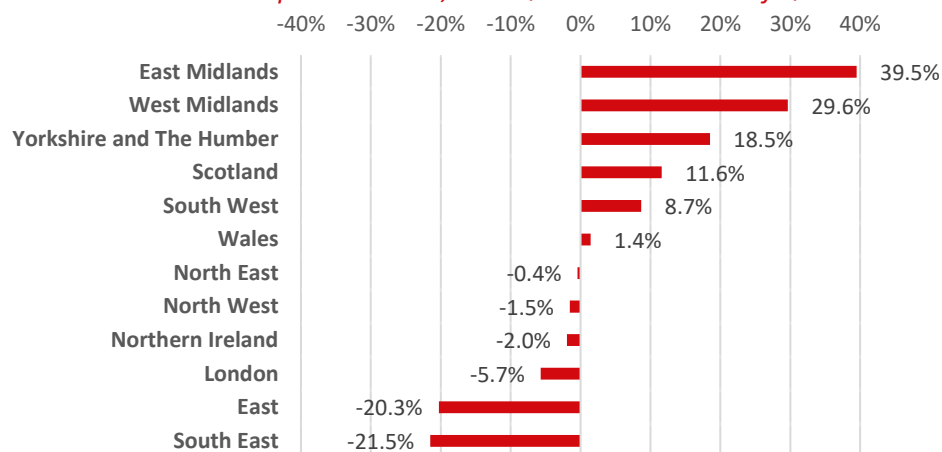
Goods exports from the East Midlands to China grew 39.5% YoY

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In the four quarters leading up to Q2 2023, **six** out of the twelve UK macro regions experienced **positive export trade growth** to China. Of these, four enjoyed **double-digit growth**.

YoY Growth in Goods Exports to China, Four Quarters to the End of Q2 2023



Source: HMRC ©CBBC

Exports to China from the East Midlands – which includes the cities of Derby, Leicester, Lincoln, and Nottingham – grew **39.5%**, the fastest rate among UK regions. This growth was worth **£829.7 million**.

Scottish exports to China, meanwhile, grew **11.6%** after declining for three consecutive 12-month periods, helped by a **35%** increase in its top export, beverages.

The UK’s top export category to China remained “Road Vehicles”, which grew **14%** to **£3.9 billion**.

Other fast-growing trade categories include consumer goods, suggesting recovery in Chinese consumer sentiment.

UK Consumer Good Exports to China, Four Quarters to the End of Q2 2023

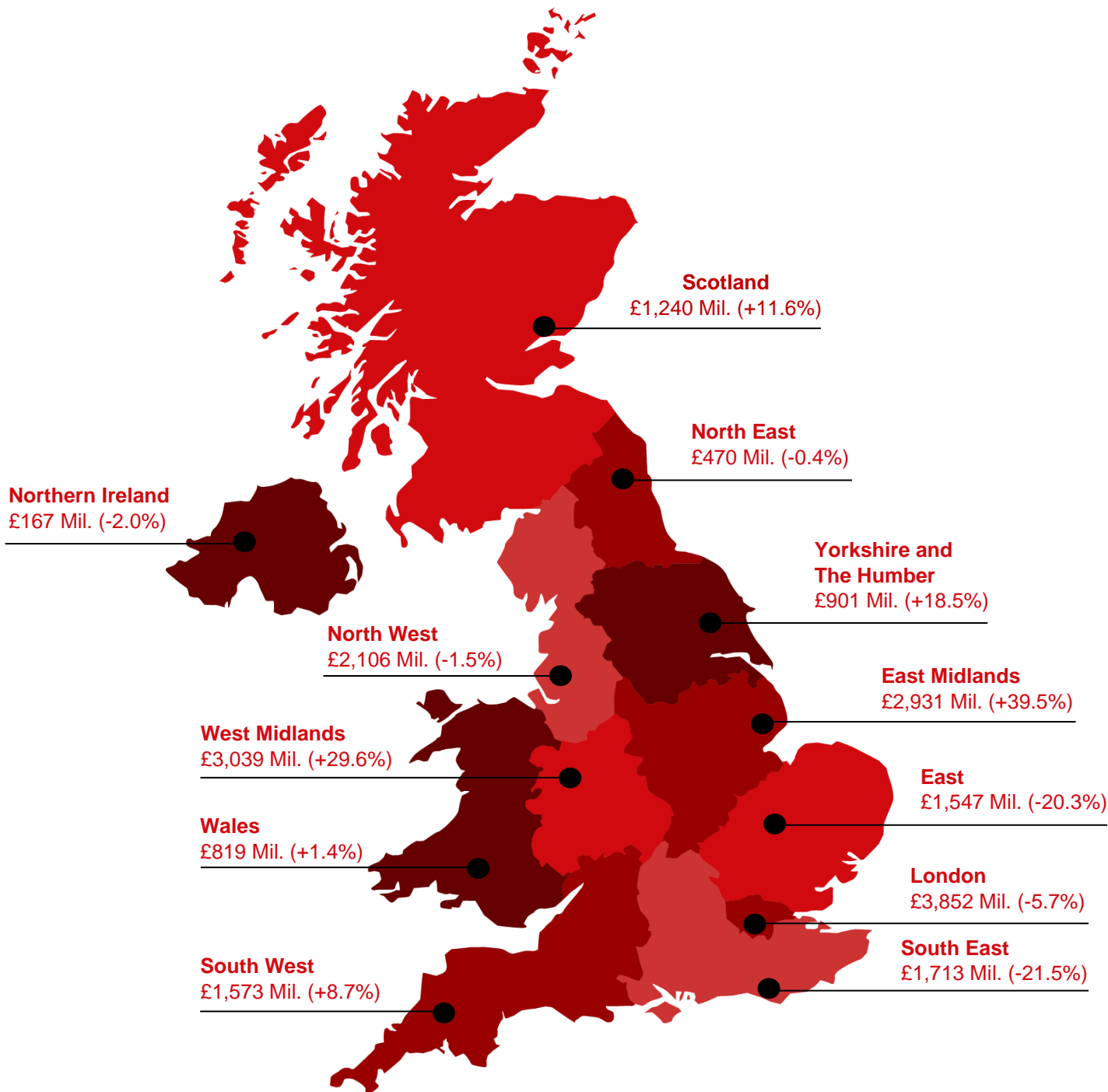
Product	YoY Growth	Sales
Beverages	12%	£505.9 million
Travel Goods (suitcases) and Handbags	38%	£178.6 million
Clothing and Accessories	8%	£146.6 million
Footwear	18%	£44.5 million
Coffee, Tea, Cocoa, Spices	10%	£33.3 million

Source: HMRC ©CBBC

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OVERVIEW: REGIONAL GOODS EXPORTS TO CHINA (Four Quarters to the End of Q2 2023)



(YoY change in % in the four quarters to the end of Q2 2023)
Source: HMRC and CBBC analysis ©CBBC

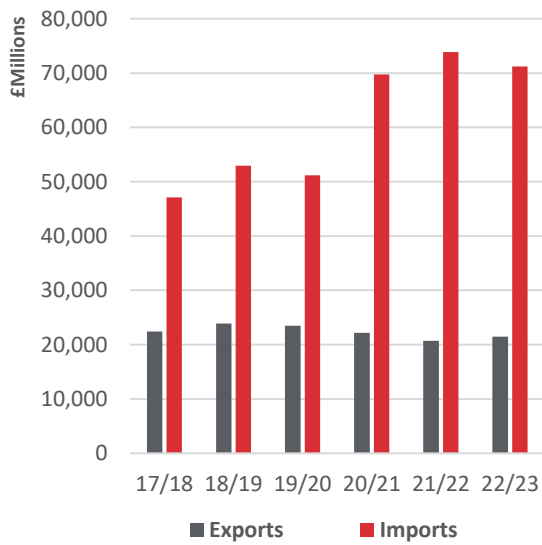
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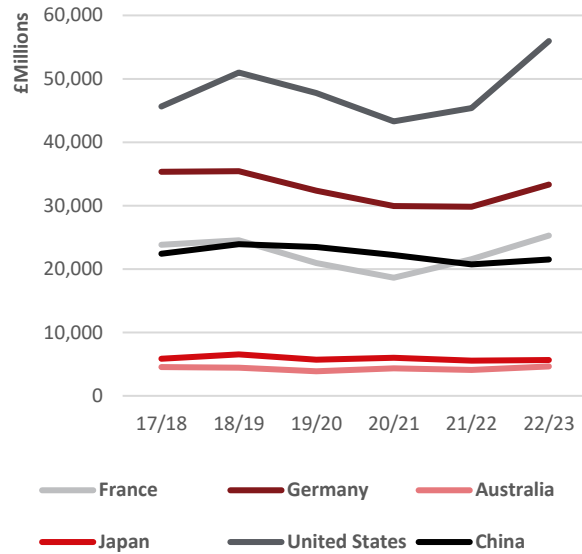
UK – ALL REGIONS

UK goods exports to China rose **4.6%** to **£21.5 billion** in the four quarters before Q2 2023, reversing three years of net decline. The UK’s largest two exports, “Road Vehicles” and “Power Generating Machinery”, were also among the biggest growth sectors, rising **14%** and **18%** respectively. Exports of “Non-Ferrous Metals” – referring to metals other than iron and steel, such as copper, aluminium, and lead – plummeted **56%**, likely due to China’s faltering real estate market and stagnant global demand, resulting in a decline in raw material imports.

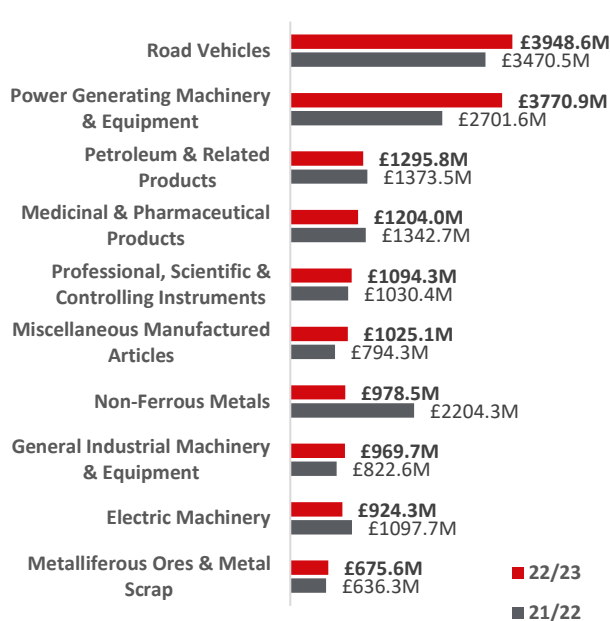
Yearly Trade with China since Q2 2017



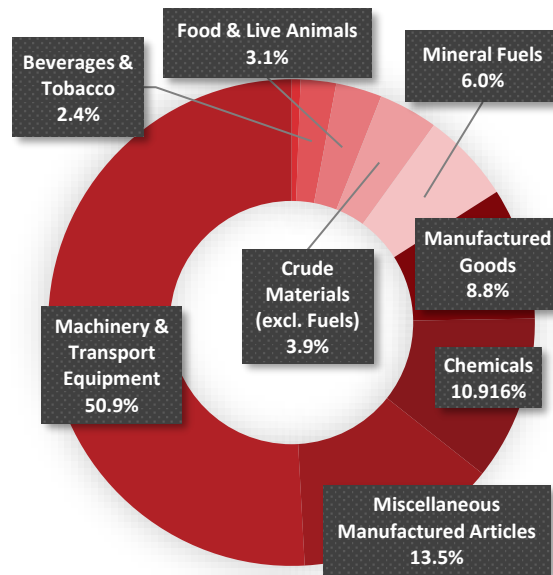
UK Goods Exports to Major Trading Partners



Top 10 Goods Exports to China 22/23 (£M)



Export Distribution 22/23



Source: HMRC ©CBBC

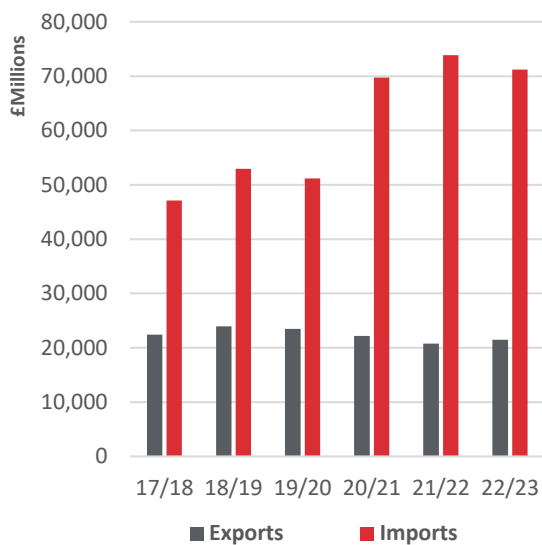
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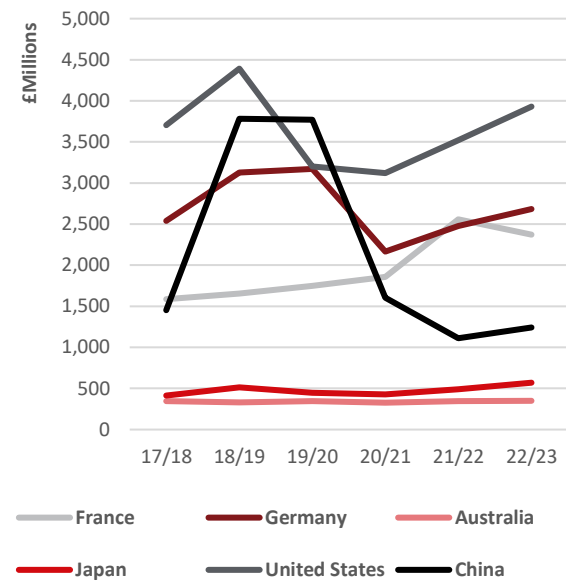
SCOTLAND

In the four quarters leading up to Q2 2023, Scottish exports to China grew **11.6%**, the fourth highest growth rate among UK regions. This drive was primarily fuelled by a rise in exports of beverages (+35%), power generating machinery (+11%), and road vehicles (+338%). This resurgence in Scottish exports to China is nearing the levels seen in 2017-18, prior to the volatility caused by a sharp rise and fall in petroleum exports. Scotland's exports to China still lag considerably behind those to the smaller markets of Germany, and France, pointing to further growth potential.

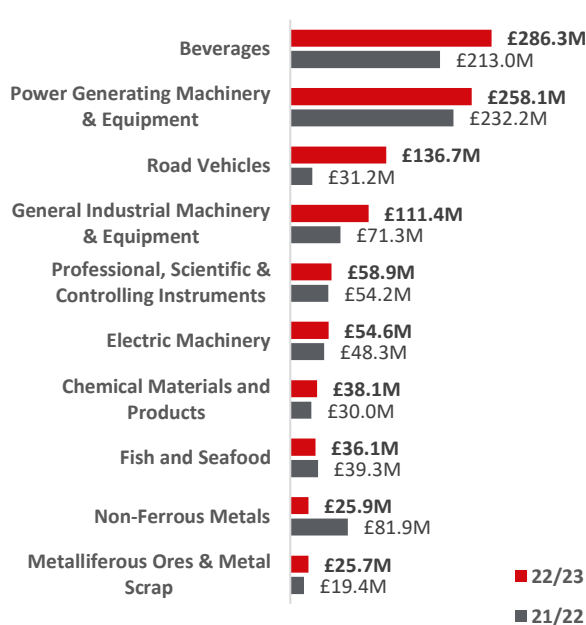
Yearly Goods Trade with China since Q2 2017



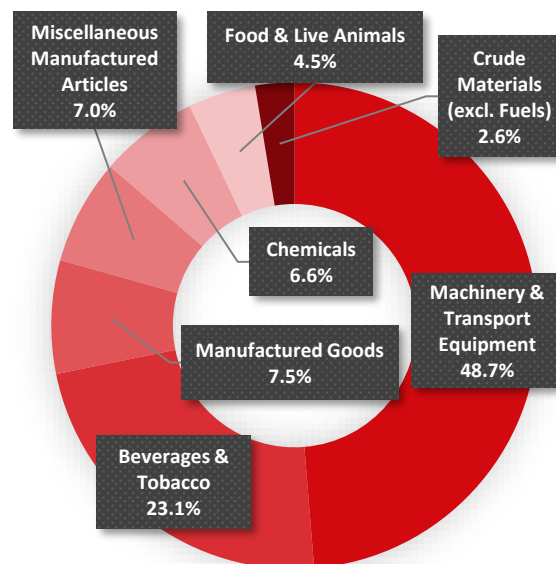
Regional Goods Exports to Major Trading Partners



Top 10 Goods Exports to China 22/23 (£M)



Export Distribution 22/23



Source: HMRC ©CBBC

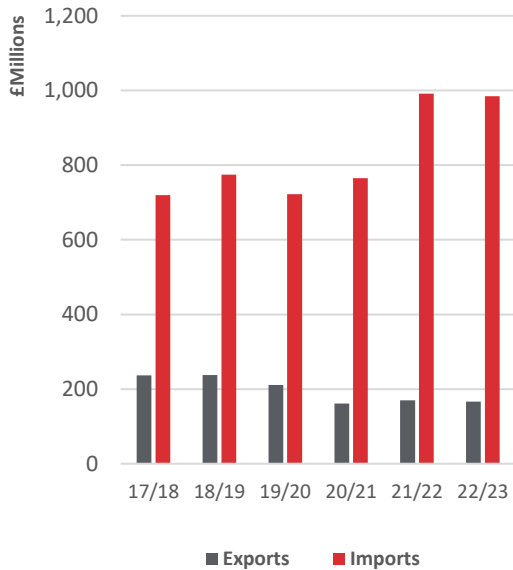
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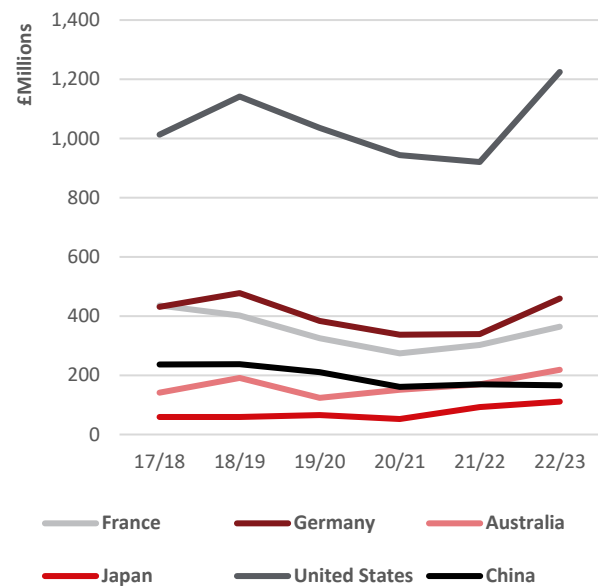
NORTHERN IRELAND

In the year leading up to Q2 2023, Northern Ireland's exports to China remained relatively stable, falling **2%** to **£166 million**. They have yet to recover to the peak of **£237.6 million** achieved in 2017-18. The region's leading export category, furniture, fell **20%** in the four quarters to the end of Q2 2023 – a possible reflection of wavering consumer confidence in China – while pharmaceutical products rocketed **112%**.

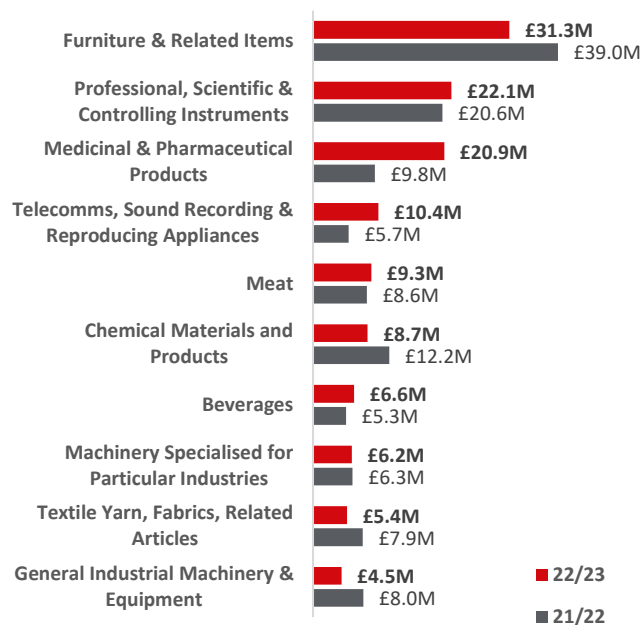
Yearly Goods Trade with China since Q2 2017



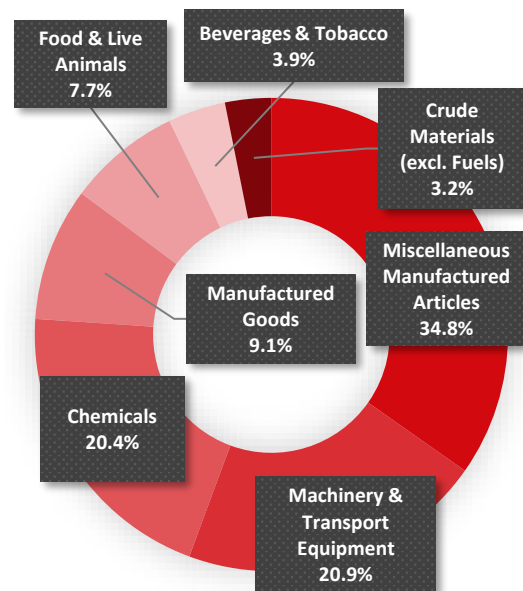
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Top 10 Goods Exports to China 22/23 (£M)



Export Distribution 22/23



Source: HMRC ©CBBC

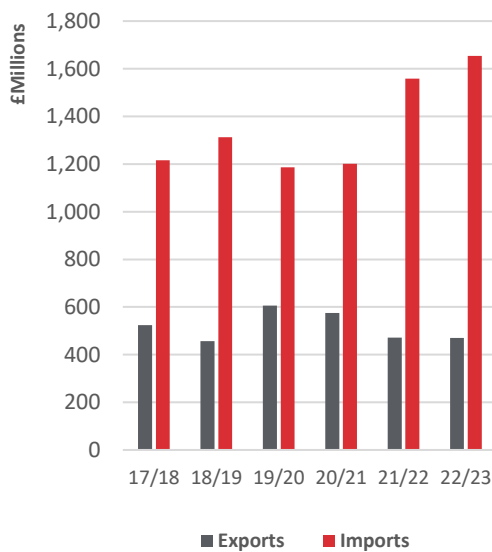
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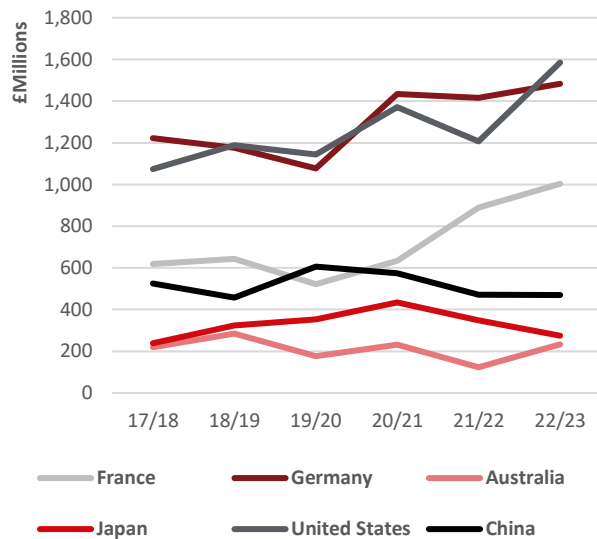
ENGLAND – NORTH EAST

Exports from the North East to China have declined in recent years. From Q2 2022 to Q2 2023, they experienced a marginal decrease of **0.4%** to **£470 million**. In sharp contrast, exports to Germany, the US, and France have seen rapid growth. The region's previous top export category, "Non-Ferrous Metals", saw a significant (**+52%**) reduction, affecting overall export figures. There was, however, positive growth in "General Industrial Machinery and Equipment" (**+52%**), "Power Generating Machinery and Equipment" (**+28%**), and "Metal Manufactures" (**+53%**).

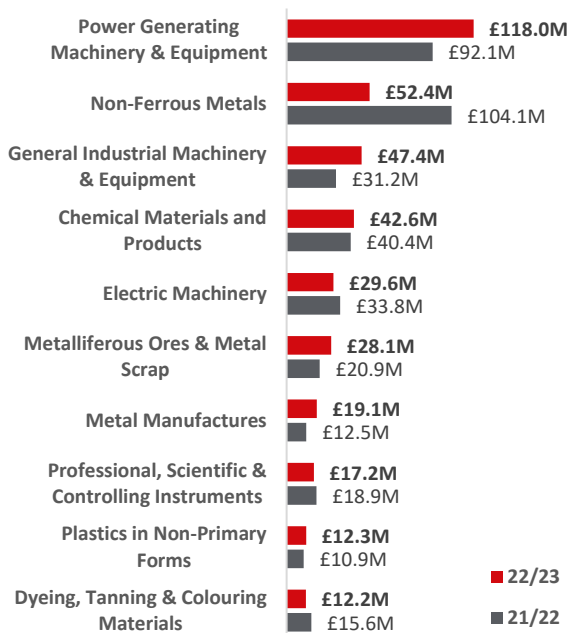
Yearly Goods Trade with China since Q2 2017



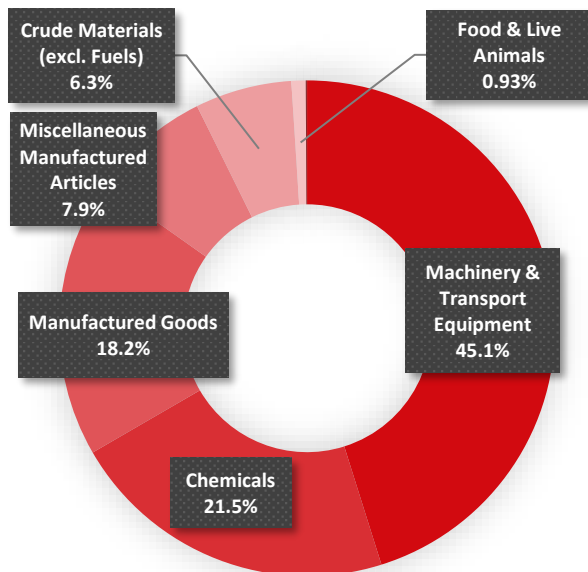
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Top 10 Goods Exports to China 22/23 (£M)



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Source: HMRC ©CBBC

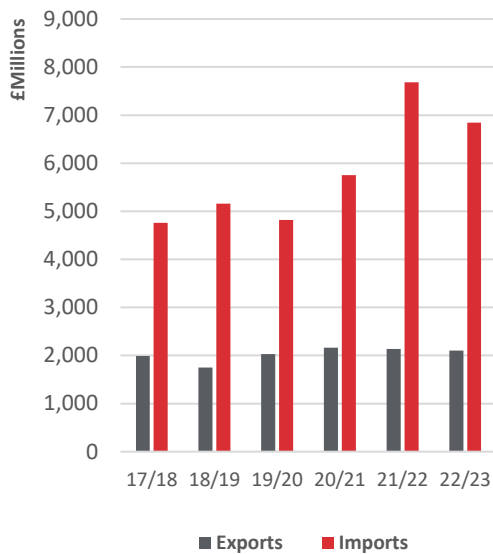
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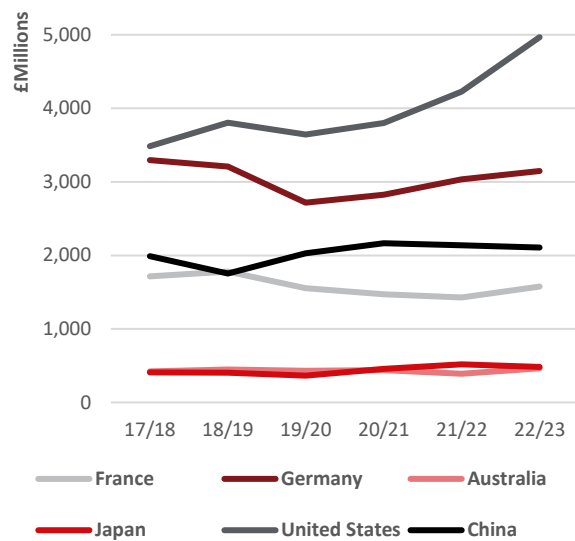
ENGLAND – NORTH WEST

In the four quarters to Q2 2023, exports from the North West of England to China contributed **£2.1 billion** to the UK economy. This figure surpassed the region's net exports to other key partners including France, Japan, and Australia. Despite the slight (-1.5%) decline over the last period – exacerbated by a 15% drop in his region's dominant export, "Road Vehicles" – the North West's exports to China have shown resilience in recent years, particularly during the pandemic.

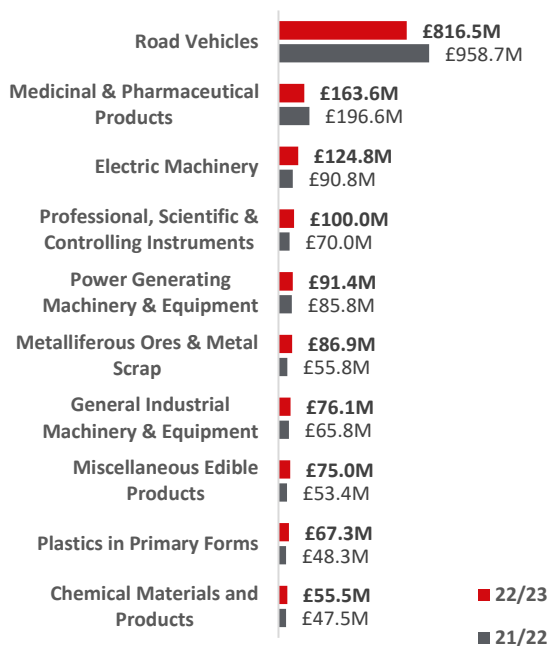
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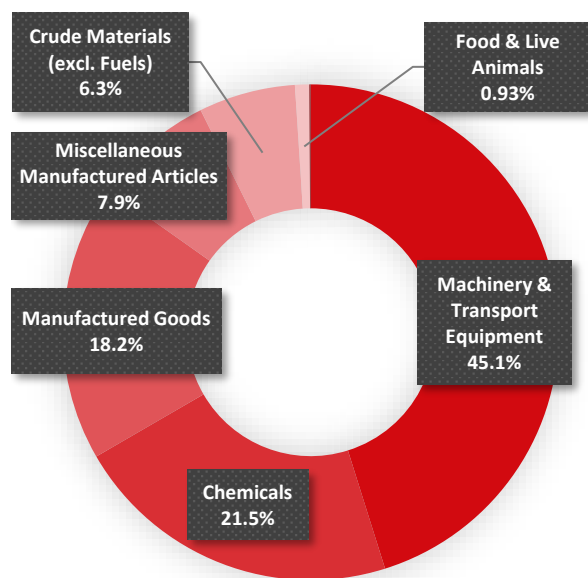
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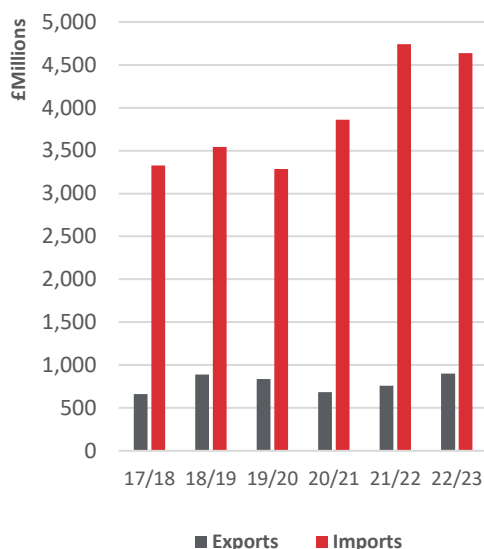
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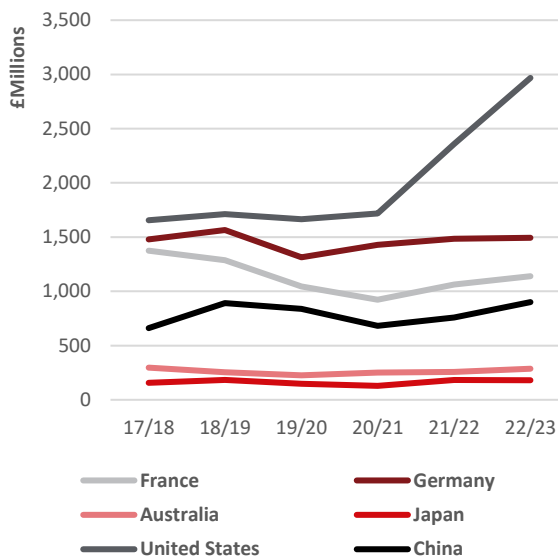
ENGLAND – YORKSHIRE AND THE HUMBER

In the four quarters to Q2 2023, firms in Yorkshire and the Humber exported **£900.6** million worth of goods to China, the highest level ever recorded for the region. Exports grew **18.5%**, the third fastest rate in the UK in the most recent period. This positive result was bolstered by strong growth in nearly all major export categories, particularly “Petroleum & Related Products” (**30%**), “Textile Fibres” (**45%**) and “Power Generating Machinery & Equipment” (**+29%**).

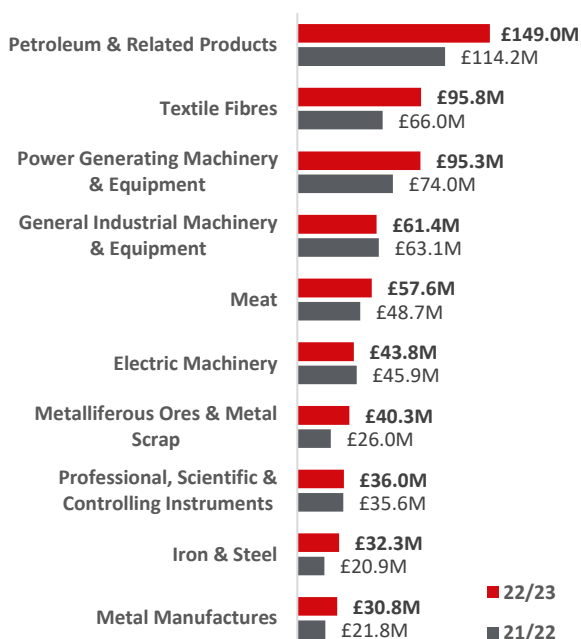
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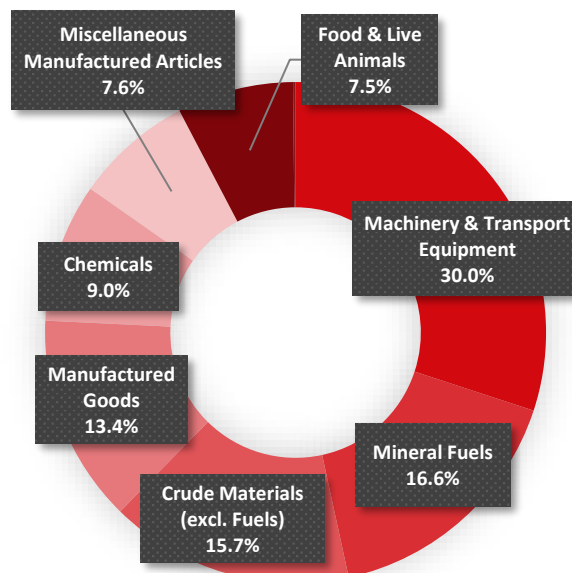
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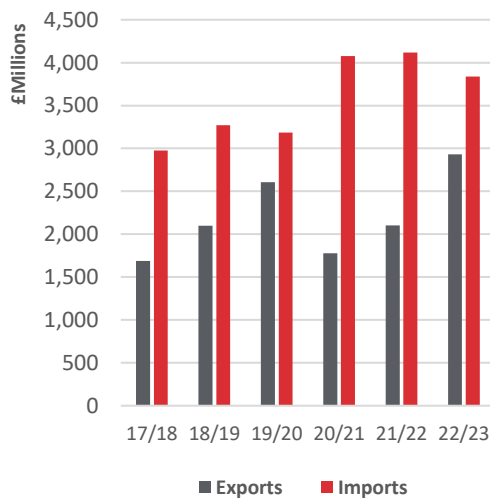
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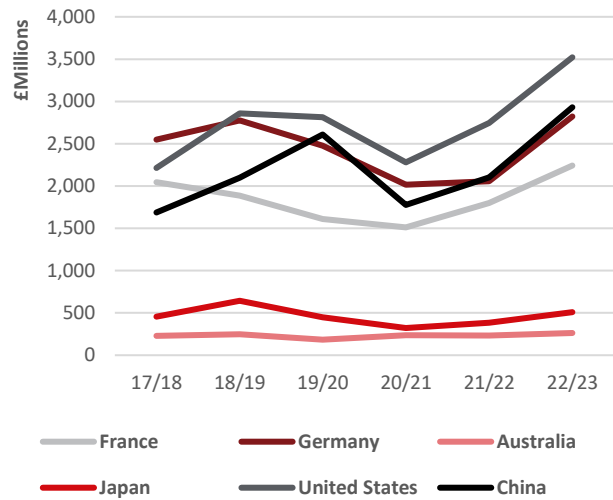
ENGLAND – EAST MIDLANDS

In the four quarters leading up to Q2 2023, the East Midlands exported **£2.9 billion** worth of goods to China, making it the second biggest exporter of goods to China outside of London. This region's exports to China also grew at the fastest rate (**39.5%**) among all regions. China is the East Midlands' second largest trading partner, illustrating the importance of China trade to regional UK economies. This region's export profile is dominated by "Power Generating Machinery", which grew **52%** to **£2.2 billion** over the period.

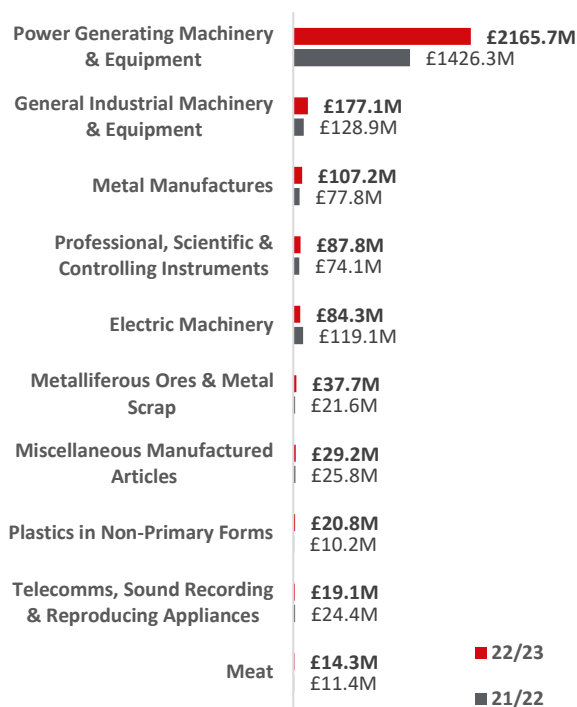
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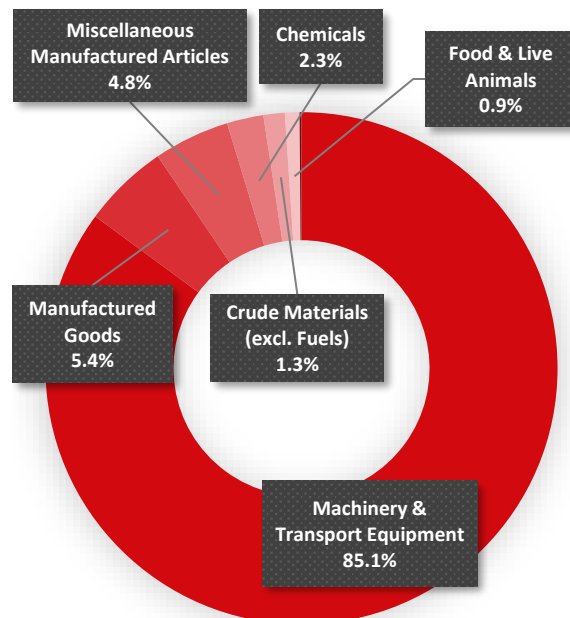
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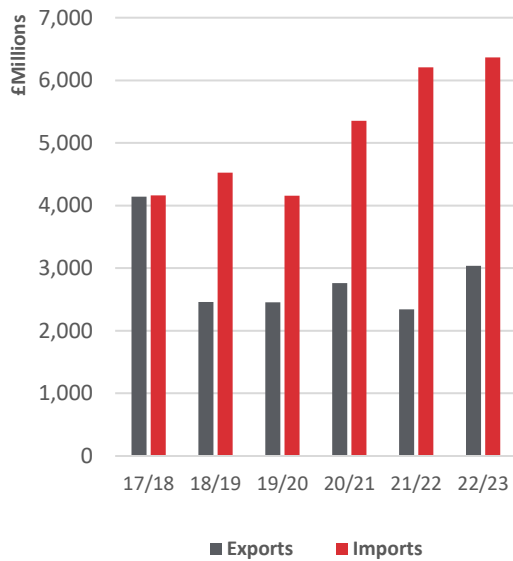
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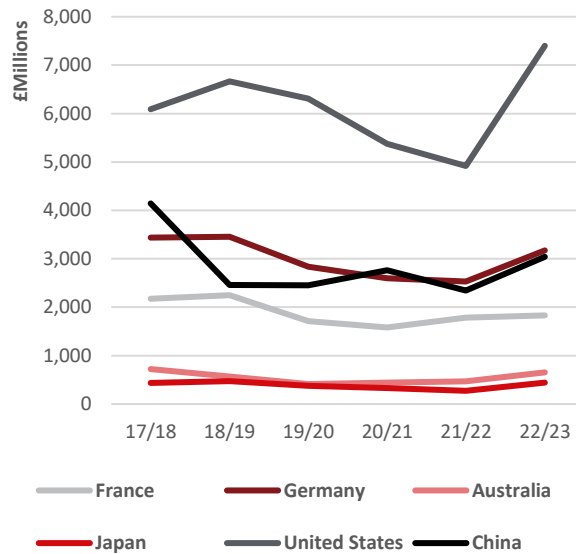
ENGLAND – WEST MIDLANDS

The West Midlands is the UK's largest exporter of goods to China, outside London. In the four quarters leading up to Q2 2023, the West Midlands' exports to China grew **29.6%** to **£3.04 billion**. Over the same period, this region's top export category, "Road Vehicles", grew **39%** to **£2.09 billion**. Exports to China remain under half the level of exports to the US, however.

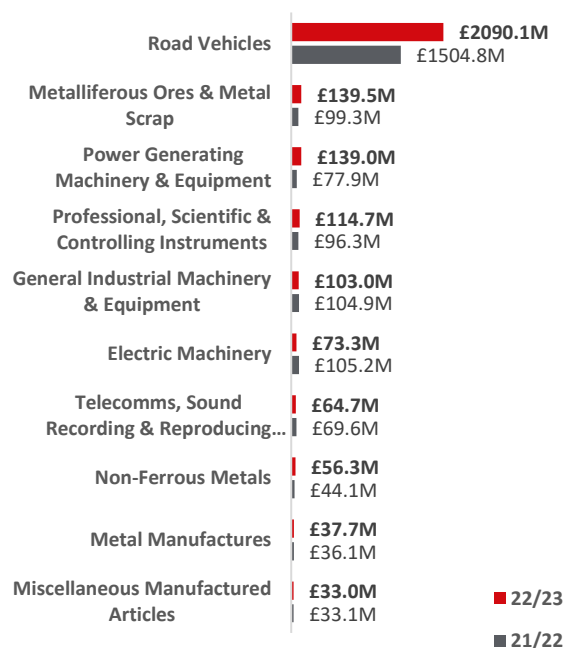
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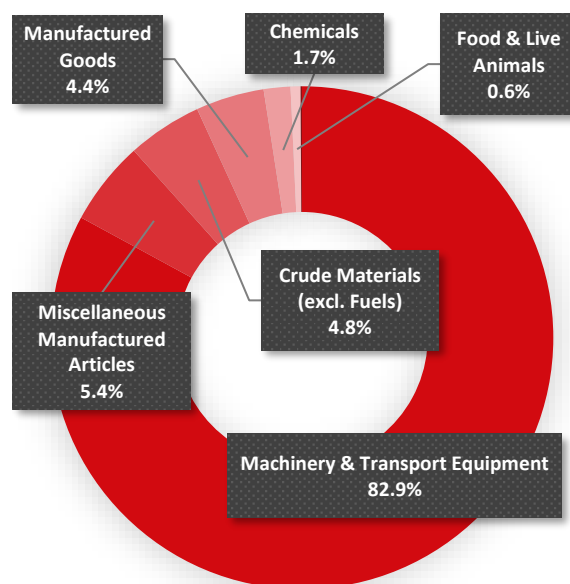
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Source: HMRC ©CBBC

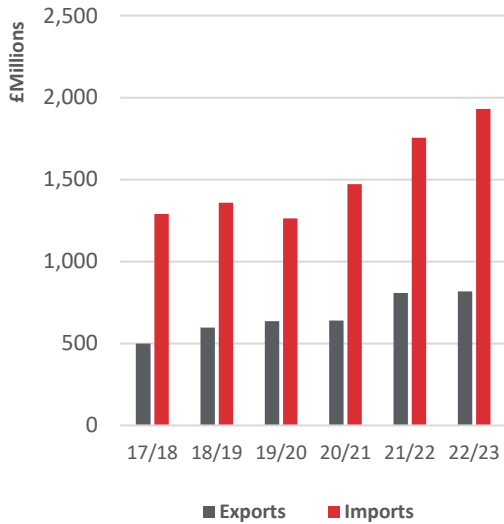
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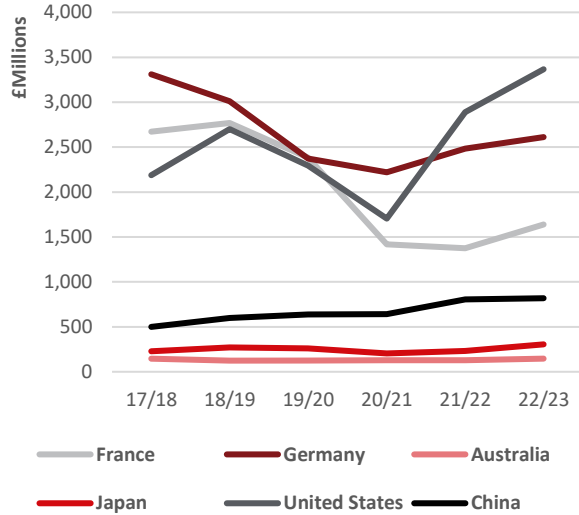
WALES

Welsh goods exports to China continued their steady record of growth in the four quarters to Q2 2023, growing **1.4%** to a record **£818.6** billion. The region's top export category "Machinery Specialised for Particular Industries" grew an impressive **28%** over the last recorded period, while "Furniture & Related Items" and "Electric Machinery" fell **44%** and **33%**, respectively.

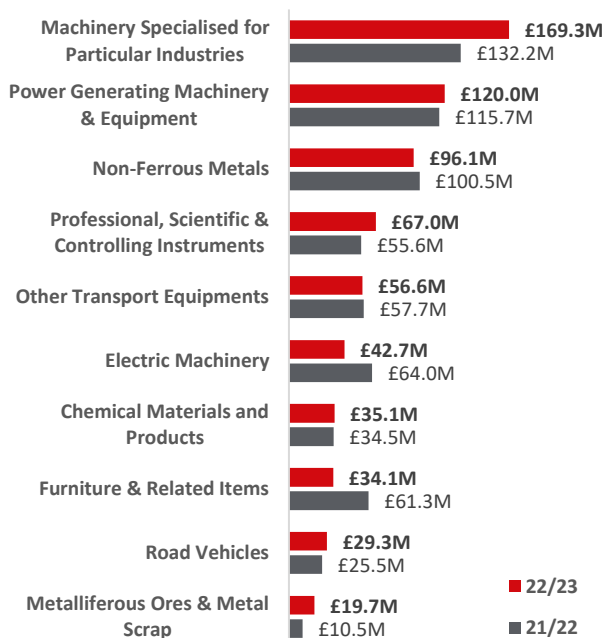
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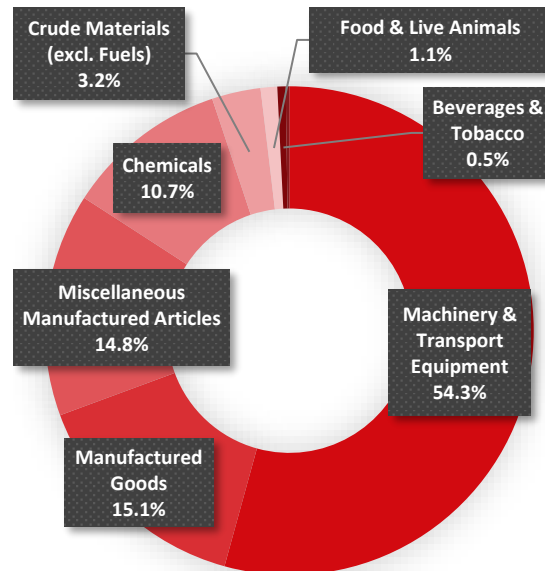
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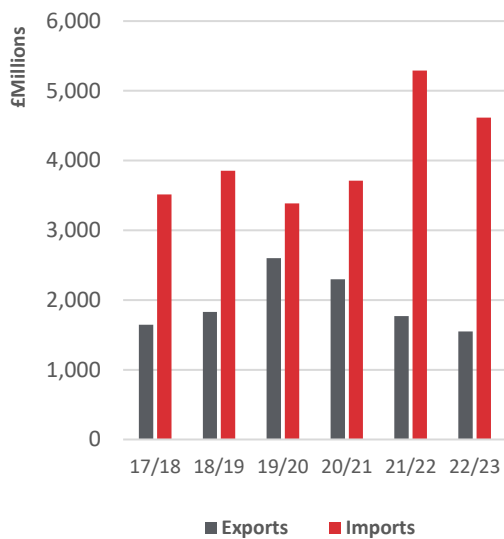
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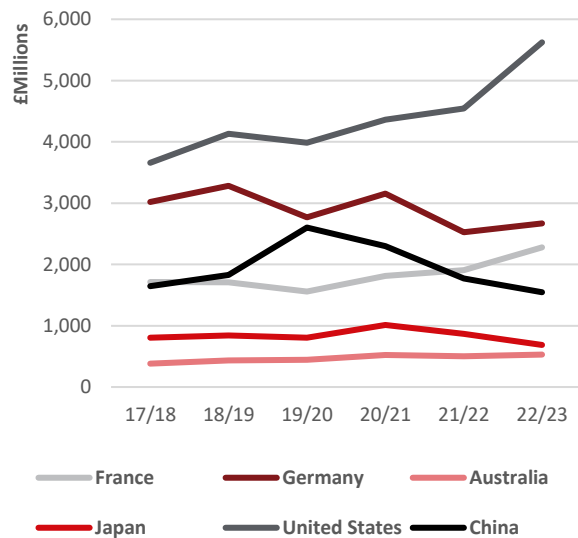
ENGLAND – EAST

The East of England region exported **£1.5 billion** worth of goods to China in the four quarters before Q2 2023, a **20.3%** decrease year-on-year and the third consecutive year of decline. Net export levels were notably impacted by a **20%** reduction in its top export category, “Pharmaceutical Products”, and a **56%** drop in “Non-Ferrous Metals”. Nevertheless, the region's highest historical export level of **£2.6 billion** in the four quarters before Q2 2020 – alongside the recent **£5.6 billion** worth of goods it exported to the US – demonstrates its strong export potential.

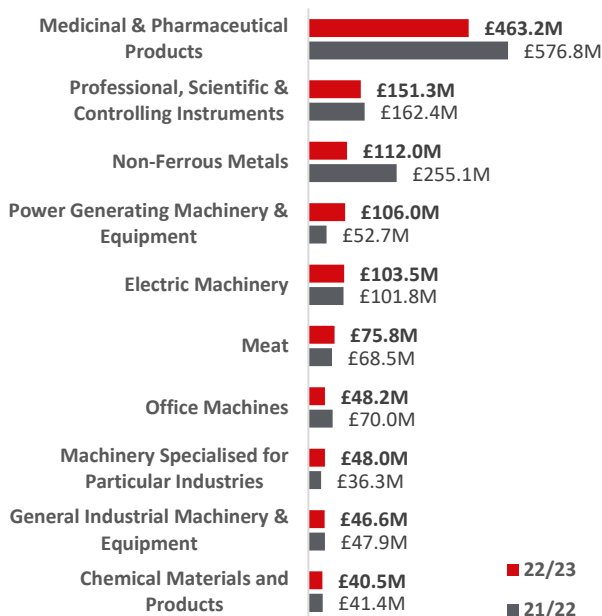
Yearly Goods Trade with China since Q2 2017



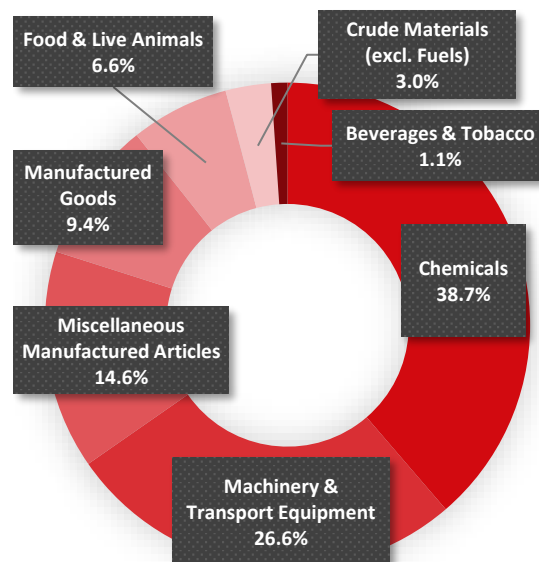
Regional Goods Exports to Major Trading Partners



Top 10 Goods Exports to China 22/23 (£M)



Export Distribution 22/23



Source: HMRC ©CBBC

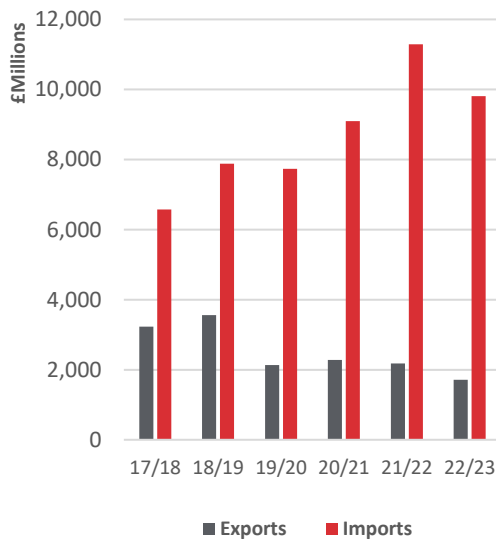
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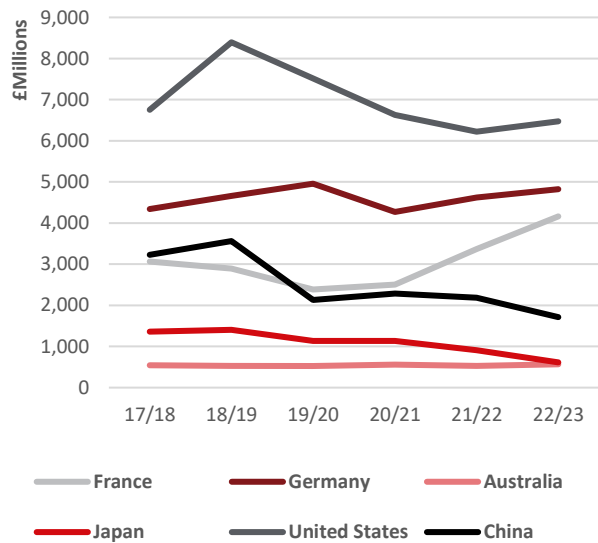
ENGLAND – SOUTH EAST

Exports from the South East to China fell **21.5%** year-on-year in the four quarters leading up to Q2 2023, the largest decline among UK regions. It remains a significant exporter to China, however, with trade to the country contributing **£1.7 billion** to the UK economy over the time period. The decline in exports was exacerbated by a considerable drop in exports of “Road Vehicles” (-44%) and “Electric Machinery” (-48%).

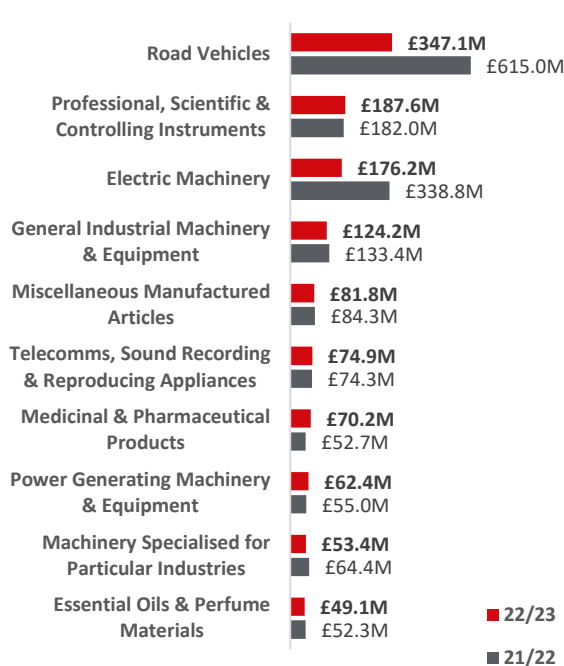
Yearly Goods Trade with China since Q2 2017



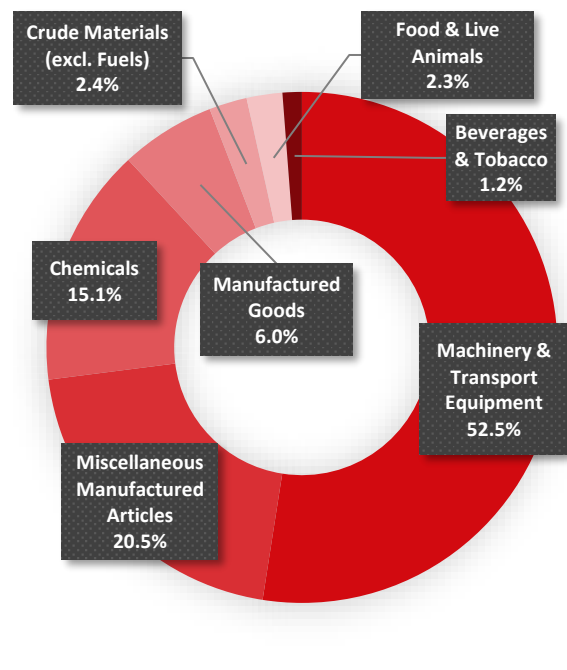
Regional Goods Exports to Major Trading Partners



Top 10 Goods Exports to China 22/23 (£M)



Export Distribution 22/23



Source: HMRC ©CBBC

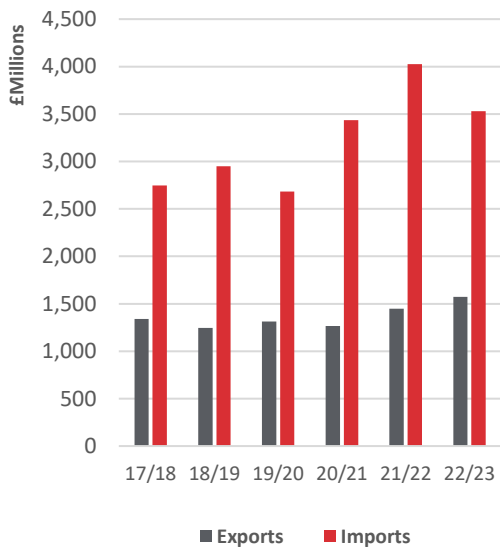
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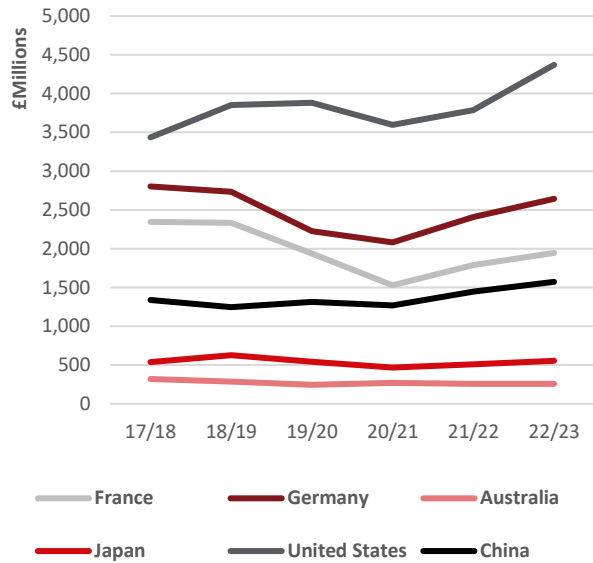
ENGLAND – SOUTH WEST

Exports from the South West of England to China have been gaining momentum, showing steady growth since Q2 2018. In the four quarters leading up to Q2 2023, they increased by **8.7%** to **£1.57 billion**, positioning the region as the UK’s sixth largest exporter to China. During this period, its top six export categories either grew or remained steady. Notably, its largest export – “Power Generating Machinery” – experienced a significant growth of **21%**.

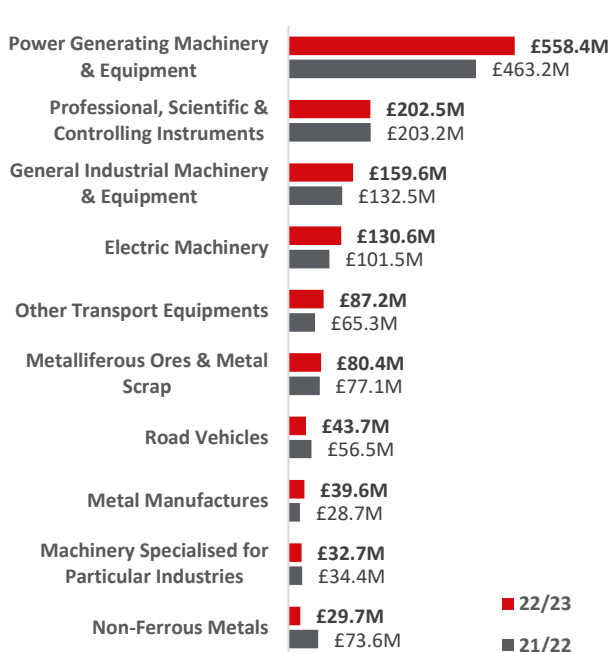
Yearly Goods Trade with China since Q2 2017



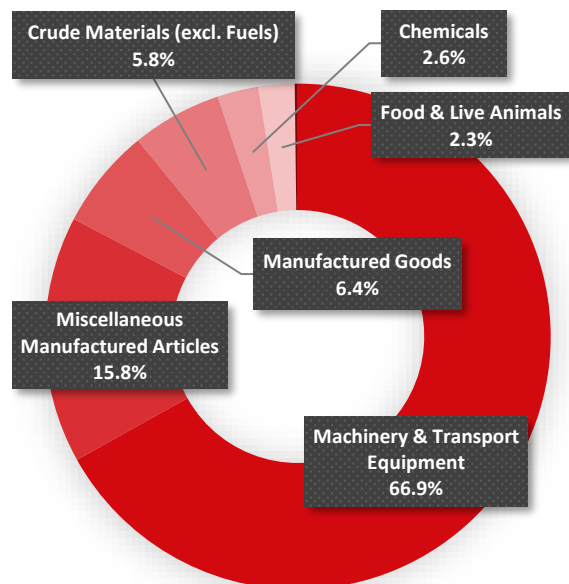
Regional Goods Exports to Major Trading Partners



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



Export Distribution in Q1



Source: HMRC ©CBBC

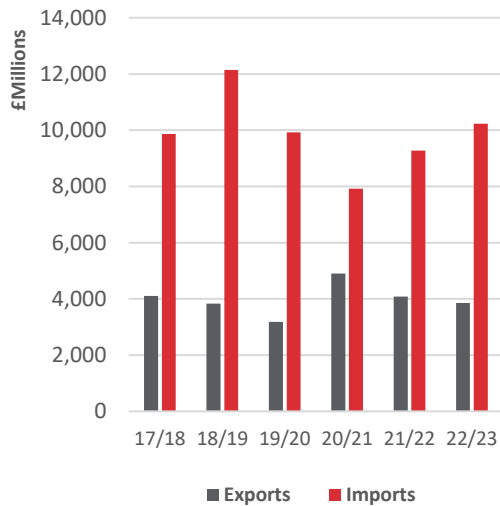
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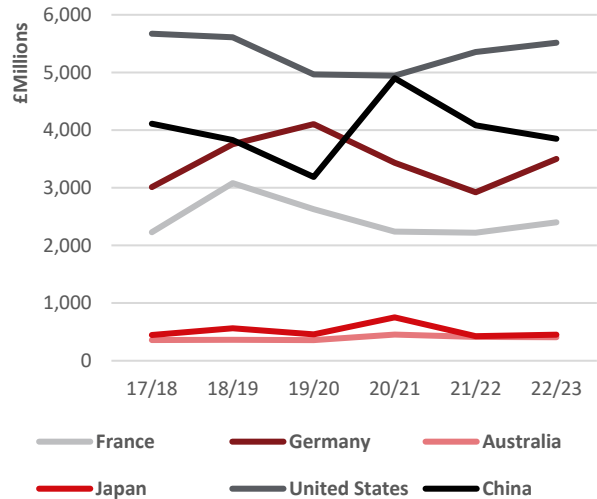
ENGLAND – LONDON

London's goods exports to China have declined for two consecutive years, but China remains its second largest trading partner, following the US. London is also the largest UK goods exporter to China, with exports totalling **£3.8 billion** in the four quarters prior to Q2 2023, a decrease of **5.7%**. Over the same time period, the region's top two categories, "Petroleum & Related Products" and "Miscellaneous Manufactured Articles," grew an impressive **45%** and **41%**, respectively. "Non-ferrous metals," formerly London's largest export, plummeted **69%**, however.

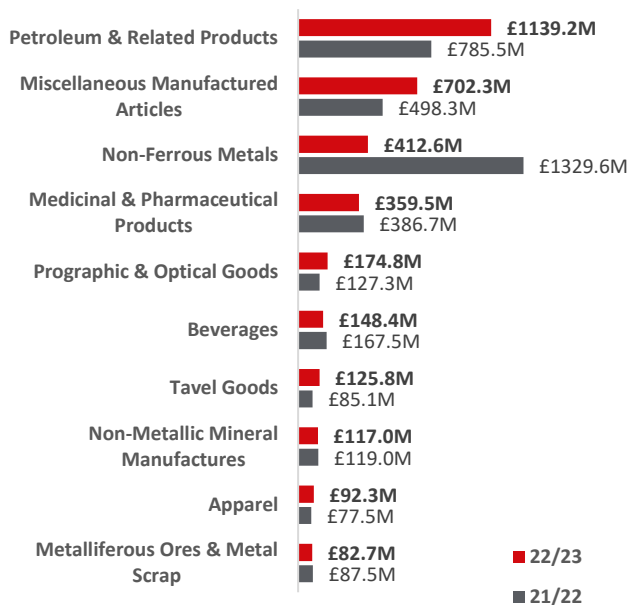
Yearly Trade with China since Q2 2017



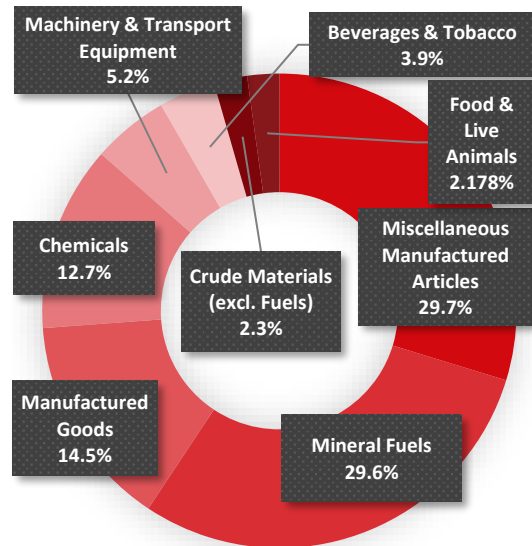
Regional Exports to Major Trading Partners



Top 10 Goods Exports to China 22/23 (£M)



Export Distribution 22/23



Source: HMRC ©CBBC

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About the author



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The Tracker covers the period between Q1 2013 and Q2 2023. Unless otherwise noted, all national data is based on 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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