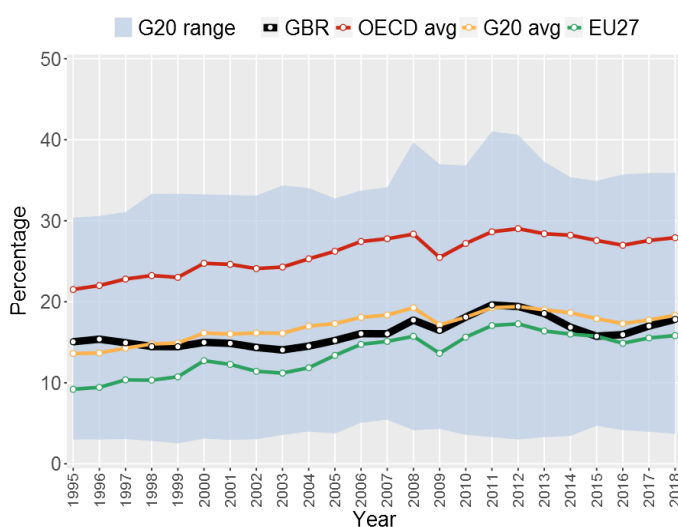


Trade in Value Added (TiVA) indicators offer new insights into the commercial relations among economies and provide a broad view of where value is created along each stage of global value chains (GVCs). Painting a more complete picture than gross trade measures alone, the TiVA approach better reflects the significantly higher contribution made by services in GVCs, the role of imports in export performance, and the true nature of economic interdependencies. The 2021 version of the TiVA database covers 66 economies and 45 industrial sectors, for the years 1995 to 2018, and brings together indicators based on the value-added origins (both country and industry) of exports, imports and final demand. This note highlights the trade patterns in value-added terms for the United Kingdom, with a view to informing policy making for a range of areas including trade, innovation, and investment.

Key findings

- ▶ Foreign content of UK exports declined between the 2011 peak and 2015, from 19.6% to 15.7%, then rose to reach 17.8% in 2018, a share similar to a decade earlier (Figure 1). Industries with relatively high foreign content in their exports included *Coke and refined petroleum products* (73%), *Motor vehicles* (33.7%) and *Basic metals* (31%) (Figure 3a).
- ▶ In 2018, about 22% of UK domestic value added met foreign final demand, up from 20% a decade earlier. This increase in export orientation was mainly driven by business services sectors (Figure 2). Manufacturing activities maintained high levels of integration within GVCs with about 40% of value added meeting foreign final demand in 2018, similar to the level in 2008. Over 40% of intermediate imports from *Basic metals* (45.1%), *Motor vehicles* (43.4%) and *Mining* (41.7%) industries were subsequently used in exports (Figure 4)
- ▶ Services sectors such as *Wholesale and retail*, *Financial and insurance*, *Information and communications* and *Other business services*, dominate UK exports (Figure 3b). While services content accounted for 63% of gross UK direct exports in 2018 (up from 57% in 2008), the services value-added content of manufactured exports increased to a smaller extent, from 32% to 34% in 2018 (Figure 7).
- ▶ The United States is the UK's most important single export partner, both in gross and value-added terms (Figure 5). The higher share of value added exports compared to gross exports partly reflects a sizeable amount of UK value added arriving in the United States indirectly, via UK exports to other countries (e.g. partners in the European Union).

Figure 1. Foreign value added content of gross exports
As a percent of total gross exports, 1995 to 2018



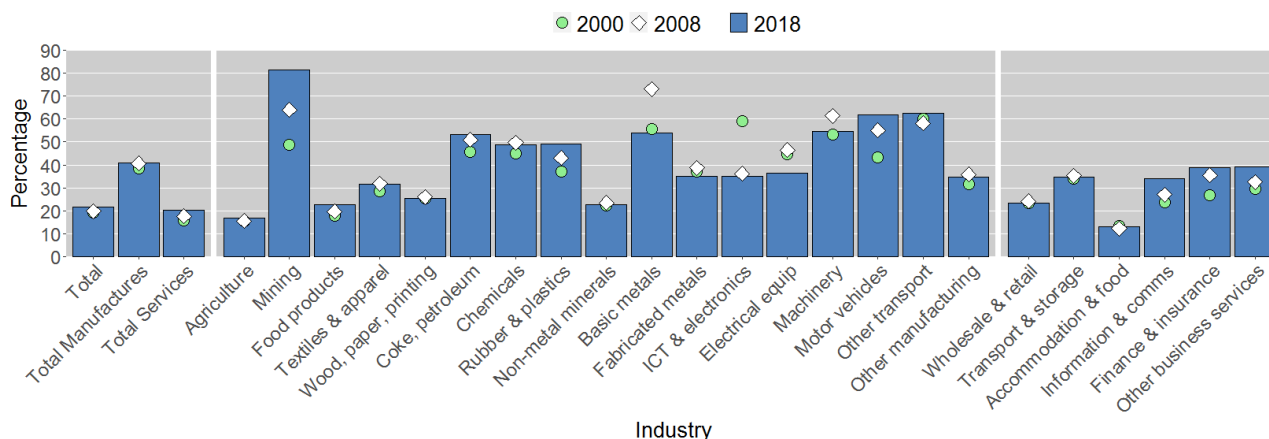
At the global level, the new TiVA indicators confirm that there has been a slowdown in GVC integration since the Financial Crisis in 2008-2009 (Figure 1). However, in general, foreign value added in trade increased between 2016 and 2018.

Between 2008 and 2018, the foreign content of UK exports is estimated to have increased slightly from 17.7% to 17.8% - significantly below the OECD average of 27.9%. After peaking in 2011 (19.6%), the United Kingdom's foreign content of exports in 2018 was similar to that in 2008.

The role of foreign final demand in domestic production

Overall, in 2018, 21.6% of UK domestic value added was driven by foreign final demand, up from 19.9% in 2008. By industry, the shares ranged from *Mining and quarrying* (81.4%) and *Other transport equipment* (62.4%) at the higher end to *Accommodation and food services* (13.2%) at the lower end.

Figure 2. United Kingdom - domestic value added in foreign final demand
As a percent of value added, by industry, 2000, 2008 and 2018



The importance of imports for exports

The industries with the most foreign value-added contents in their exports (Figure 3a) were *Coke and refined petroleum products* (73%), *Motor vehicles* (33.7%) and *Basic metals* (31%). *Other business services* generated the greatest source of domestic value-added content of exports in 2018, accounting for 15.8% of gross exports (Figure 3b), followed by *Financial and insurance* (13%) and *Wholesale and retail trade* (8.3%). The most foreign content in total exports came from *Motor vehicles* (2.3%).

Figure 3a. United Kingdom - foreign value-added content of gross exports
As a percent of gross exports, by industry, 2000, 2008 and 2018

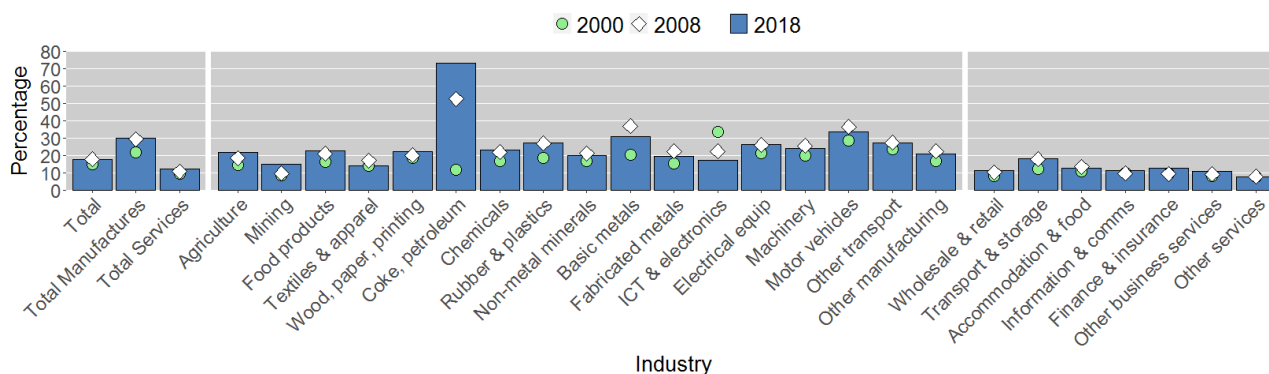
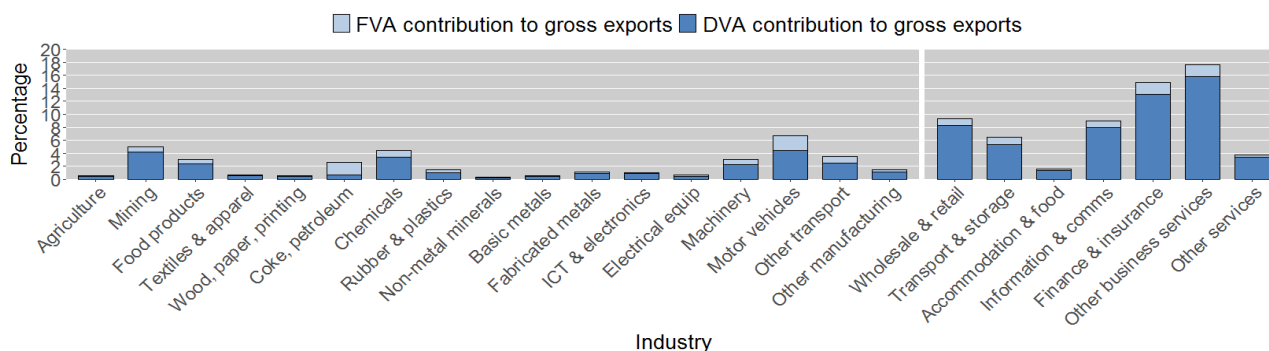
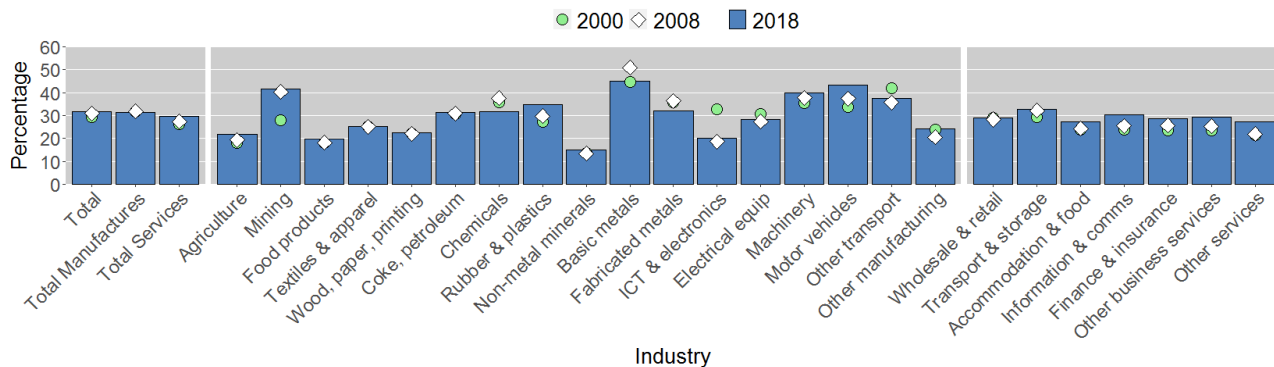


Figure 3b. United Kingdom - industry share of domestic and foreign value-added content of gross exports
As a percent of total gross exports, 2018



Of the total value of UK imports of intermediate goods and services in 2018, 31.6% was subsequently embodied in exports, significantly below the OECD average of 47.9%, and close to the share in 2008 (31%). The originating industries with the highest shares of intermediate imports used in UK exports were *Basic metals* (45.1%), *Motor vehicles* (43.4%) and *Mining and quarrying* (41.7%).

Figure 4. United Kingdom - imported intermediate inputs used for exports, by industry-origin of imports
As a percent of intermediate imports, 2000, 2008 and 2018



United Kingdom: international flows of goods and services, main players

In gross terms, the United States (16%), Germany (7.6%) and France (7.2%) were the three most important UK export market destinations in 2018. The top three final destinations for UK value added were the United States (18.2%), Germany (7.7%) and France (6.9%).

For imports in gross terms, the UK's top three partners in 2018 were the United States (11.3%), Germany (10.9%) and France (7.5%), while in value-added terms, the top three were the United States (12.9%), Germany (10.7%) and China (7.3%).

Figure 5 United Kingdom - exports and imports: main partners
As a percent of total gross and value-added exports and imports, 2018

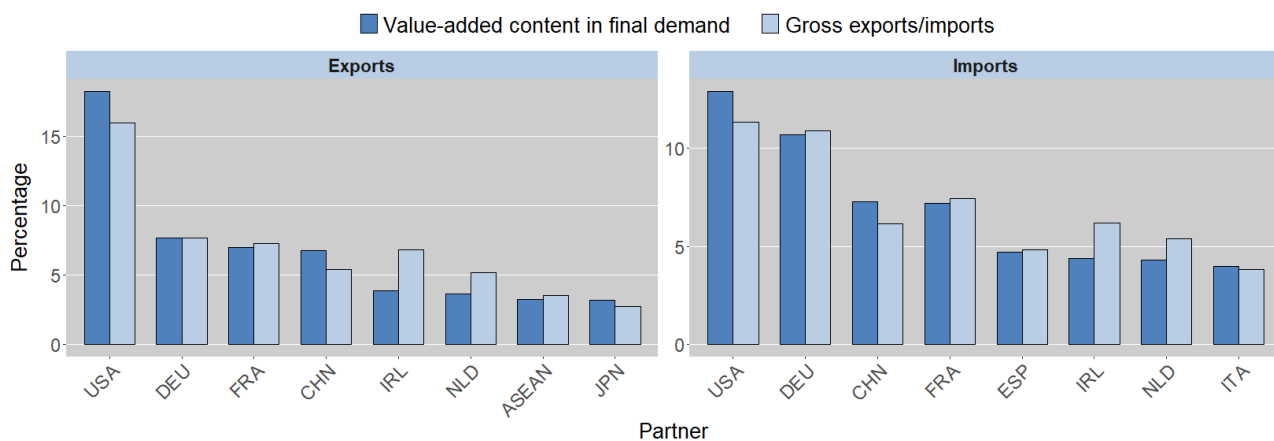
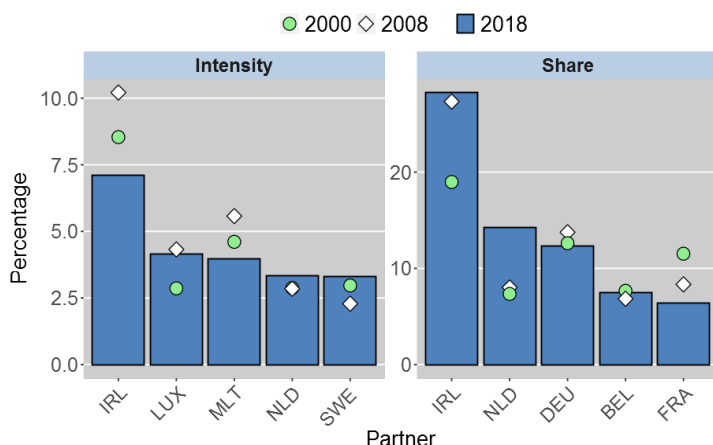


Figure 6. UK domestic value-added content of manufactured imports, top 5 partners

As a share of total UK value added embodied in UK imports (right) and as a percent of total imports by partner (left)



In 2018, the highest shares of UK domestic value added embodied in UK manufactured imports (Figure 6, right) came from Ireland (28.3%), the Netherlands (14.3%) and Germany (12.3%).

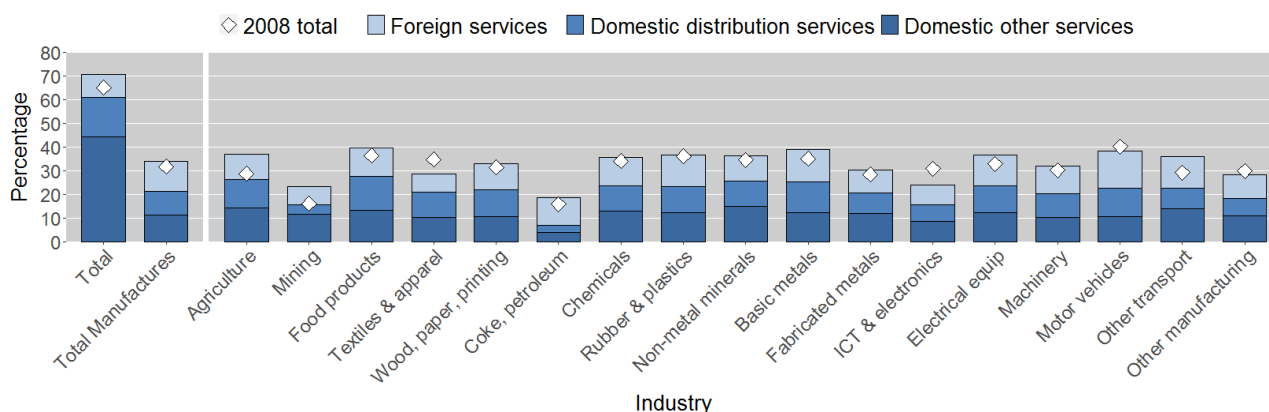
The trading partners with the highest shares of UK value added in their exports of manufactures to the UK (Figure 6, left) in 2018 were Ireland (7.1%), Luxembourg (4.2%) and Malta (4%).

The importance of services in international trade

Services are a major contributor to UK economy, accounting for 70.6% of UK gross exports in 2018 (Figure 7) - significantly above the OECD average of 55.7%. Foreign services contributed 9.7% to the value of total gross exports. For manufactures, services value-added content was 33.9% of gross exports, with the highest shares in Food and beverages (39.8%), Basic metals (39.1%) and Motor vehicles (38.3%).

Figure 7. United Kingdom - services content of gross exports

As a percent of gross exports by industry, 2018



Further information is available to supplement this country note:

- ▶ Access the data at: <http://oe.cd/tiva>
- ▶ Guide to TiVA 2021 Country Notes: www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf
- ▶ TiVA indicators are based on the 2021 version of ICIO tables: <http://oe.cd/icio>
- ▶ Related indicators of Trade in Employment <http://oe.cd/io-emp> and Trade in Embodied CO2 <http://oe.cd/io-co2>
- ▶ Trade policy implications of global value chains: <http://www.oecd.org/trade/topics/global-value-chains-and-trade/documents/trade-in-value-added-2021.pdf>

Note: This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.