



# EQ Quant Analytics

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Trade after Article 50

SBE, 25<sup>th</sup> April 2017

# Nothing has changed yet

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## And won't change soon

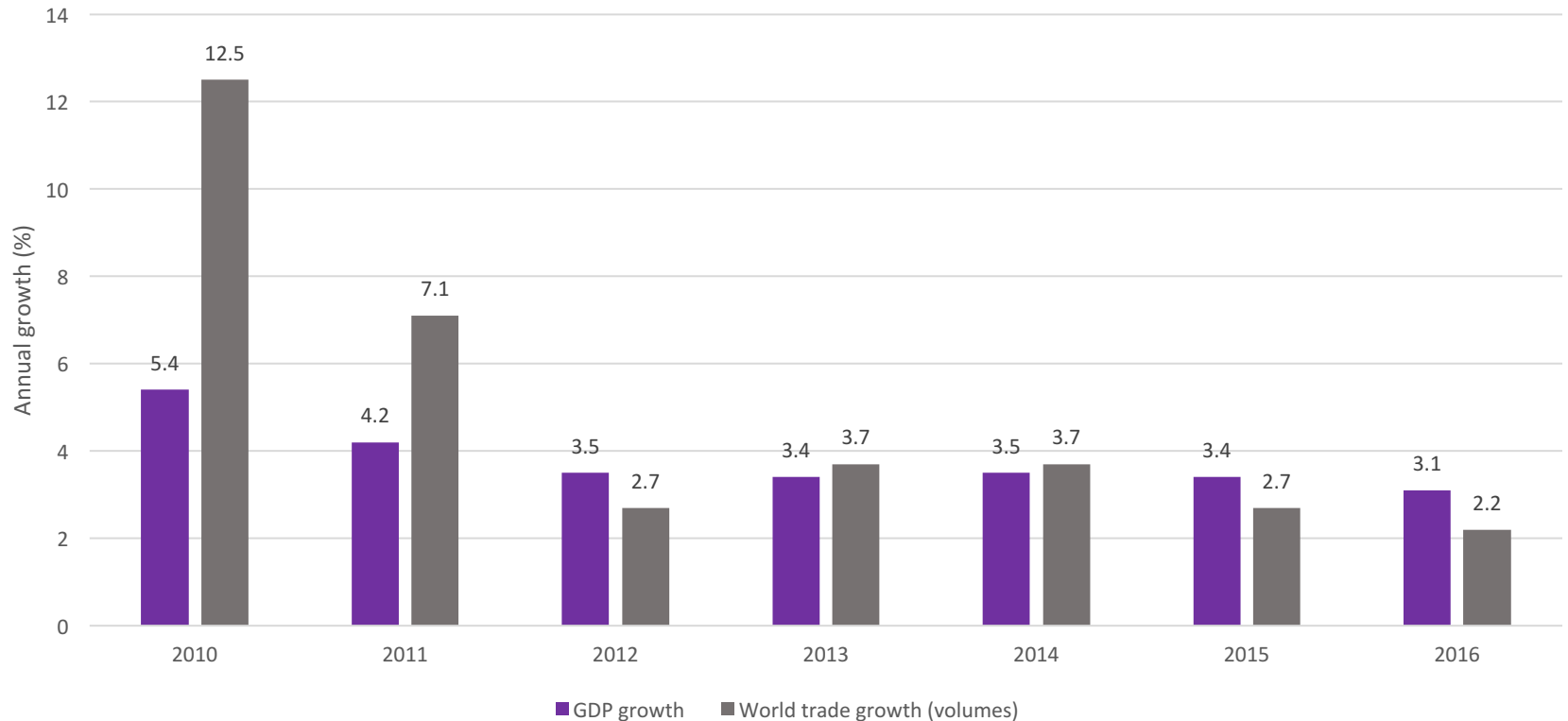
- The politics of Brexit have taken over from the economics
- Weaker sterling's boost to exports is likely to be short-term
- The Article 50 process precludes trade discussions until there is agreement on Brexit
- So it's perhaps helpful to look at now and the next two years to understand the negotiating priorities
- UK trade is highly focused and strategic – this is important to bear in mind!

# Equant Analytics – data and projections

## Methodological note

- Dataset derived from UN Comtrade, Eurostat and OECD for goods and service flows for 200 trade jurisdictions
- Flows by world, region, country and sector/product from 1996, monthly and annually
- Data is mirrored using OECD techniques across the whole dataset (M=X globally)
- The data is flows – not input-output tables
- Trend/momentum projections used to avoid assumptions
- This means: we analyse *ceteris paribus* but do not forecast

# World trade – nothing spectacular!

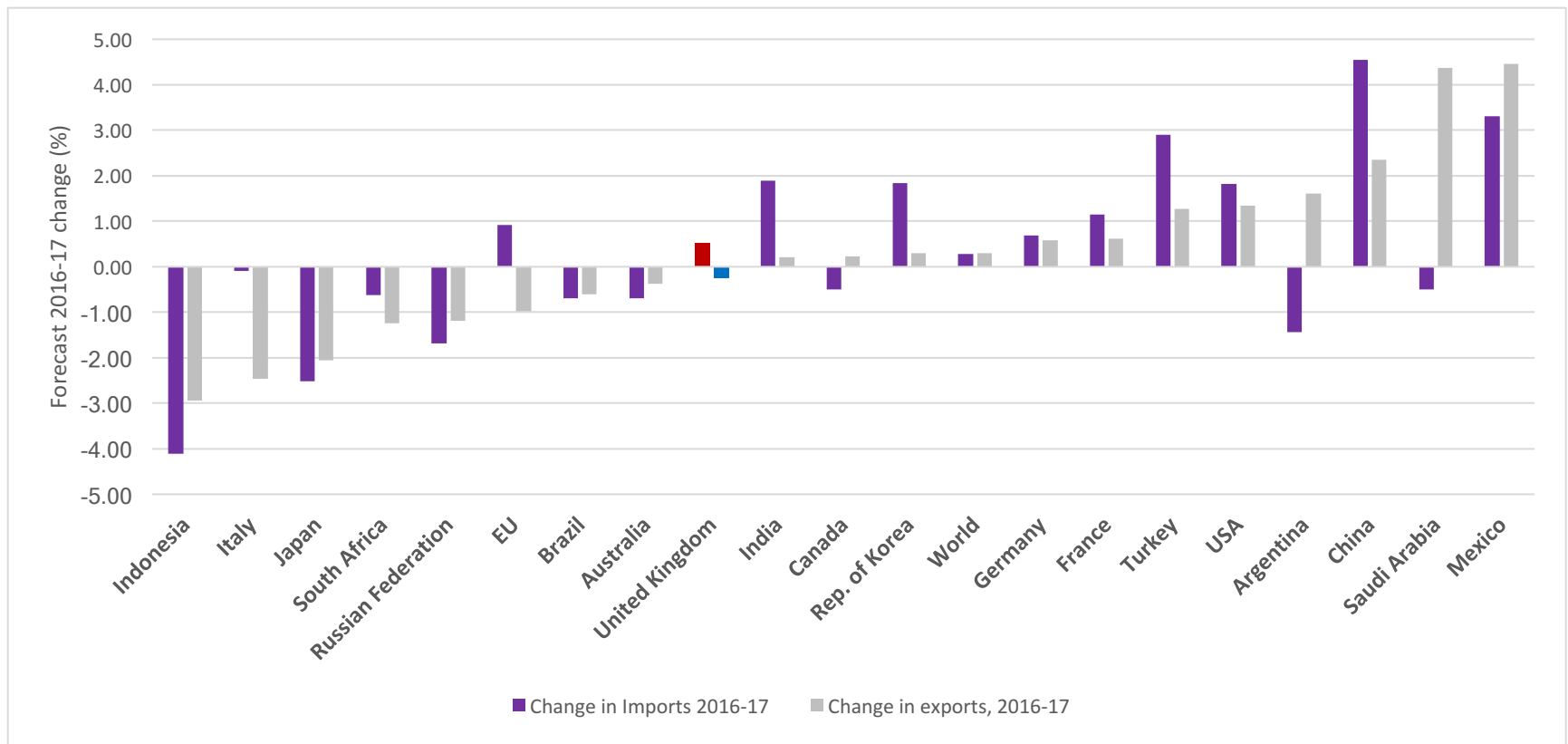


## World trade volume growth vs world GDP growth, 2010-2016 (%)

Source: IMF World Economic Outlook April 2017

# G20 trade outlook in 2017 is mixed

## Impact of policy also evident

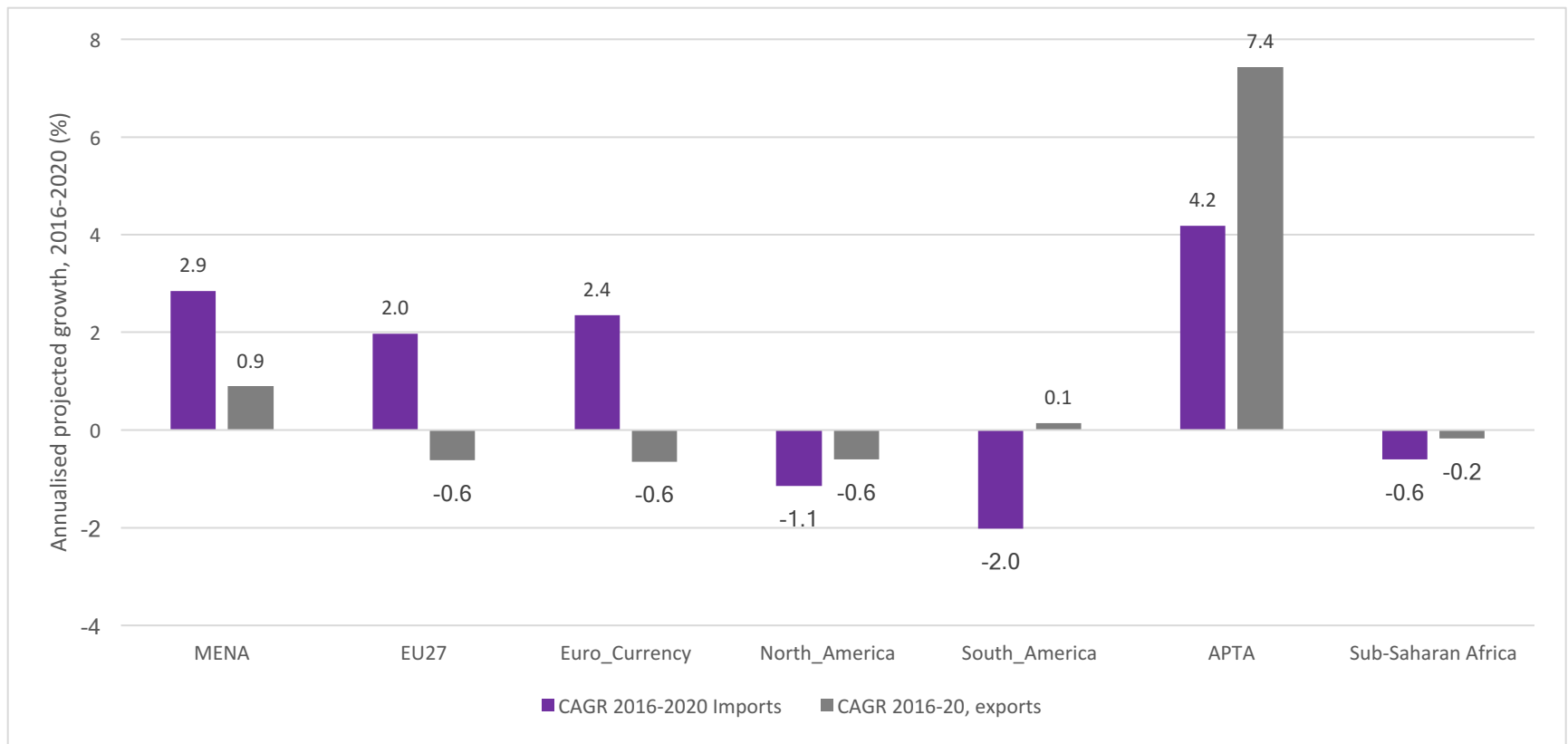


**G20 trade growth projections: 2016-17 (% change in values)**

**Source: Equant Analytics 2017**



# Realpolitik trade challenges



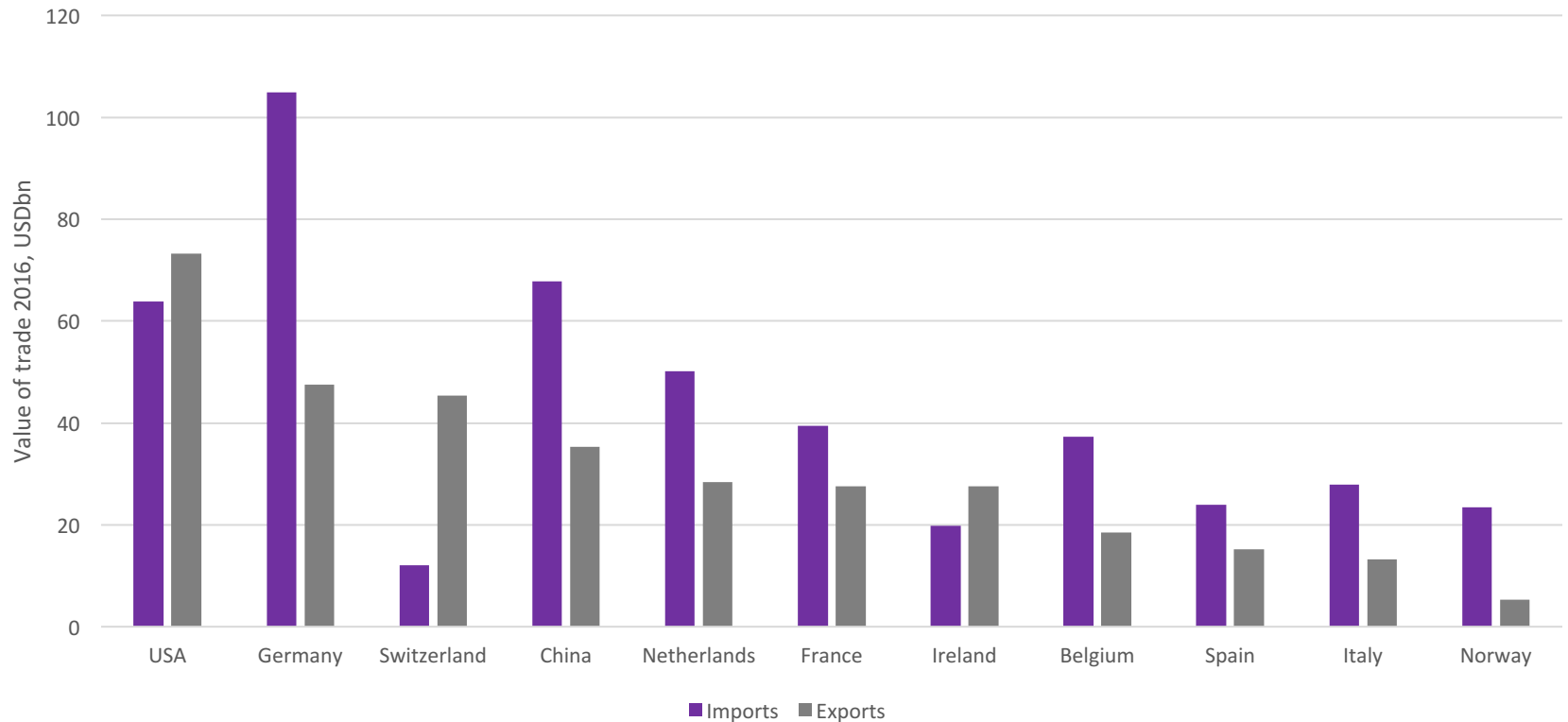
**Projected UK trade with global regions: 2016-17 (% change in values)**

**Source: Equant Analytics 2017**

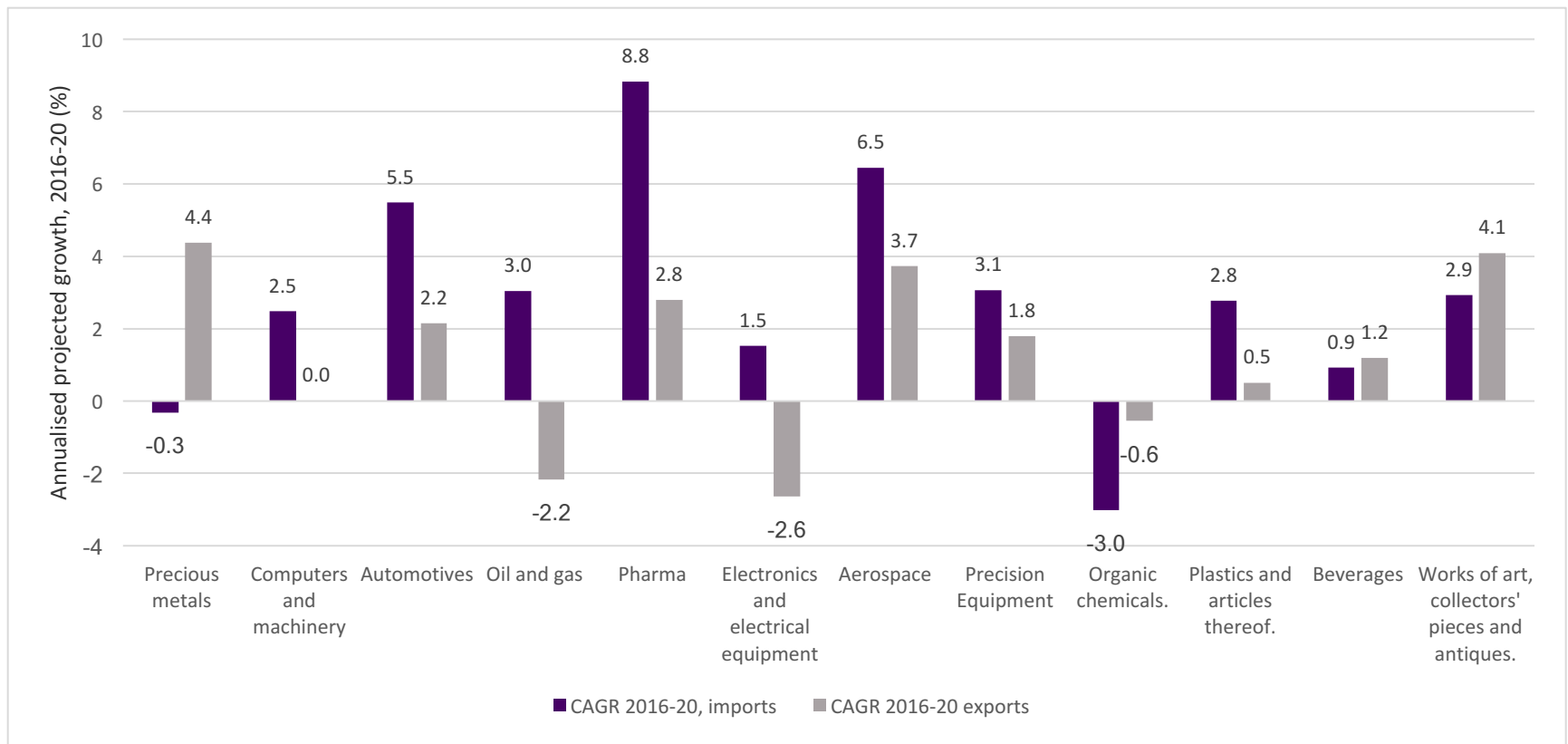


# Supply chains embedded in trade partners

## Europe matters – for our non-European trade



# Goods trade sector priorities



**Projected UK trade growth – top goods sectors: 2016-17 (% change in values)**

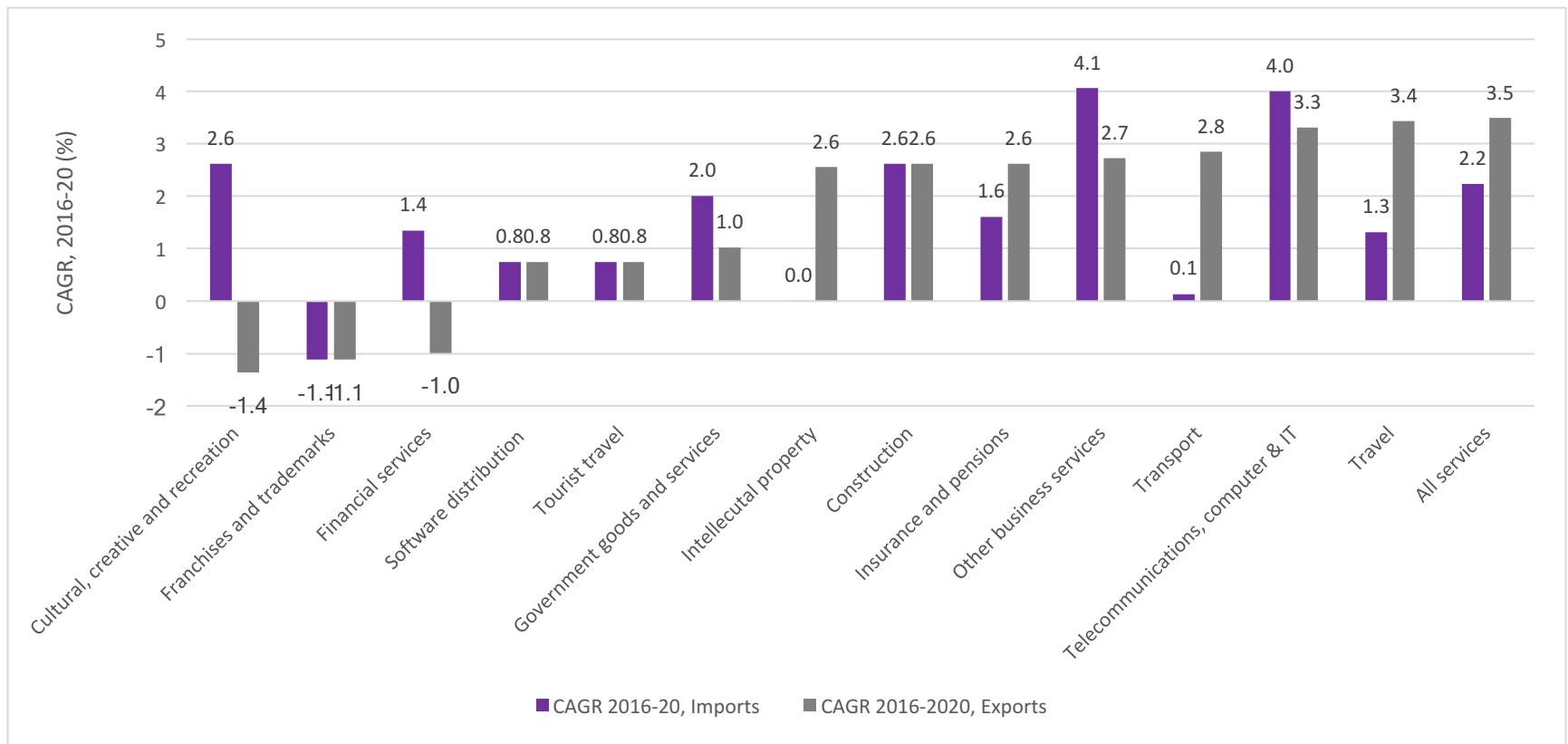
**Source: Equant Analytics 2017**





# The outlook for services

## Why we need a transition arrangement



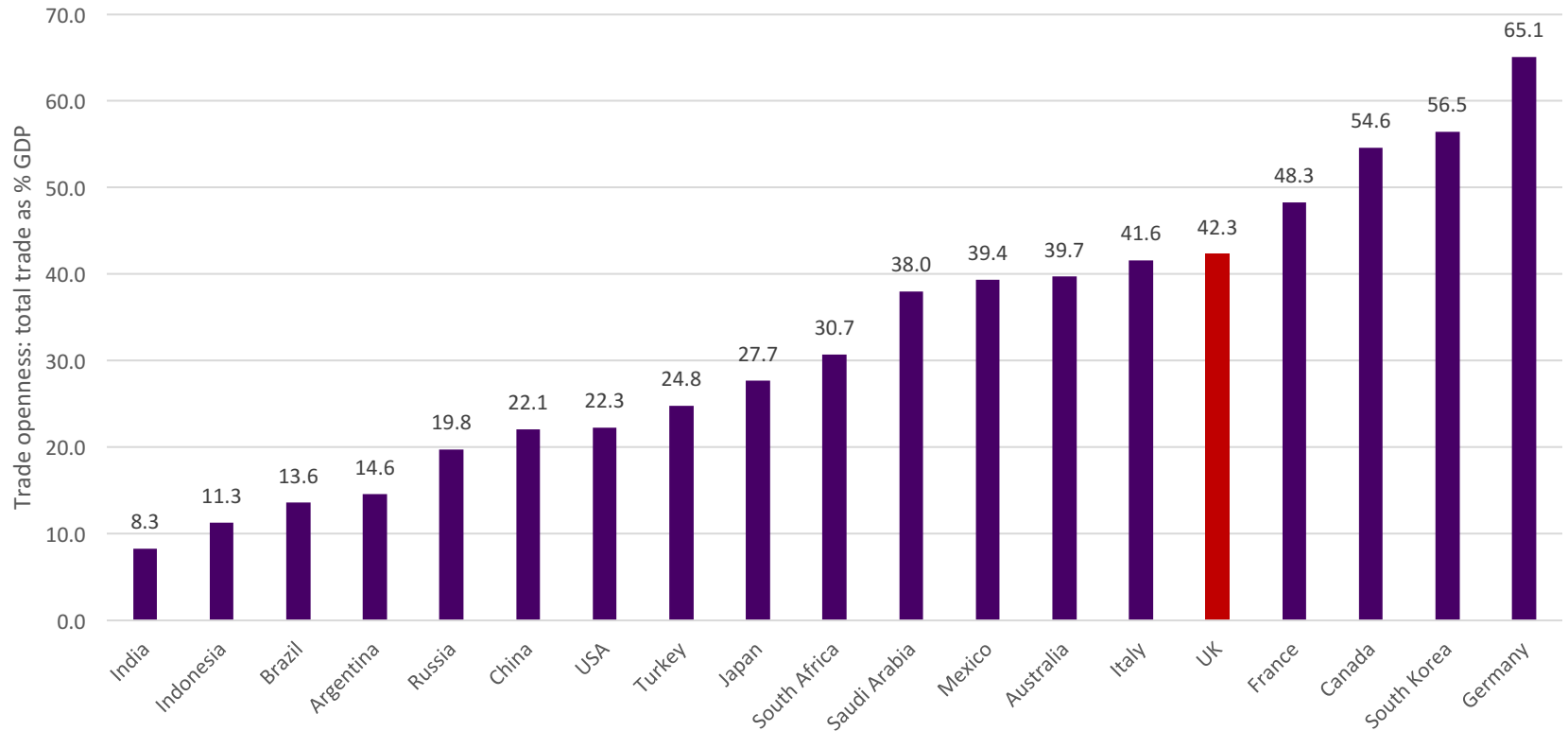
**Projected UK trade growth – top service sectors: 2016-17 (% change in values)**

**Source: Equant Analytics 2017**



# The UK is an open economy

## So trade matters



# Security and trade

The wild card – the UK's trade is not all it seems

The UK's soft trade power is weak

UK trade highly correlated with GDP

Article 50

UK trade is strategic – and focused on national interest!

UK dual use trade highly correlated with GDP

UK dual use trade with Europe, 1996-2016

Source: Equant Analytics 2017



# Where are the strategic priorities?

## Based on how things look now

- UK trade performance has been unremarkable since 2010
  - Can we make something better without making EU trade worse?
- Sector and supply chain priorities in pharma, automotives & aerospace
  - Can we avoid the customs conundrum?
- Financial services and creative industries
  - Transition arrangement is essential to stem tide?
- Security: UK trade is strategic, arguably not economic
  - But is it helpful explicitly to conflate the two?



**Thank You**

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