

Article

The impacts of EU exit and coronavirus (COVID-19) on UK trade in services: November 2021

An analysis of UK trade in services in the context of the ongoing coronavirus (COVID-19) pandemic and the end of the EU transition period on 31 December 2020.

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1 . Main points

- In Quarter 2 (April to June) 2021, service exports and imports both increased from the previous quarter (2.1% and 3.8% respectively); trade with the European Union (EU) increased by more than non-EU trade.
- UK trade in services remained below pre-coronavirus (COVID-19) levels in Quarter 2 2021; when compared with the same quarter in 2019, service exports and imports were down 14.2% and 29.3% respectively.
- Over this two-year period, service exports to the EU were 20.3% lower compared with non-EU countries, which were 10.5% lower; imports of services from the EU were 43.7% lower, while imports from non-EU countries were 16% lower.
- One-third (33%) of businesses that reported experiencing challenges with exporting services said the main cause was the coronavirus pandemic compared with just 7% for businesses exporting goods only.
- Businesses importing goods only reported experiencing more challenges from both the coronavirus pandemic and the end of the EU transition period (50%), compared with only 12% of those importing services.
- Weaker travel services was the main driver of the fall in services trade; total exports of travel services declined £6.9 billion (negative 66.8%) and imports £11.1 billion (negative 80.6%) in Quarter 2 2021 compared with Quarter 2 2019.

2 . Overview

Global trade in services continues to be subdued by the effects of the coronavirus (COVID-19) pandemic and its impact on travel and global supply chains. Businesses are also facing some impacts from the change in trading rules following EU exit earlier this year, although it is still too early to reach a conclusion about longer-term impacts on UK trade.

The Organisation for Economic Co-operation and Development (OECD) reported that the [value of exports of services within OECD countries declined by 16.7% in 2020](#), twice as much as the value of goods exports (negative 8.2%). This was mostly because of a decline in travel and transport services, which were most affected by coronavirus restrictions on international travel. The [OECD](#) finds that the recovery in services trade was much slower than goods in 2020 and early 2021.

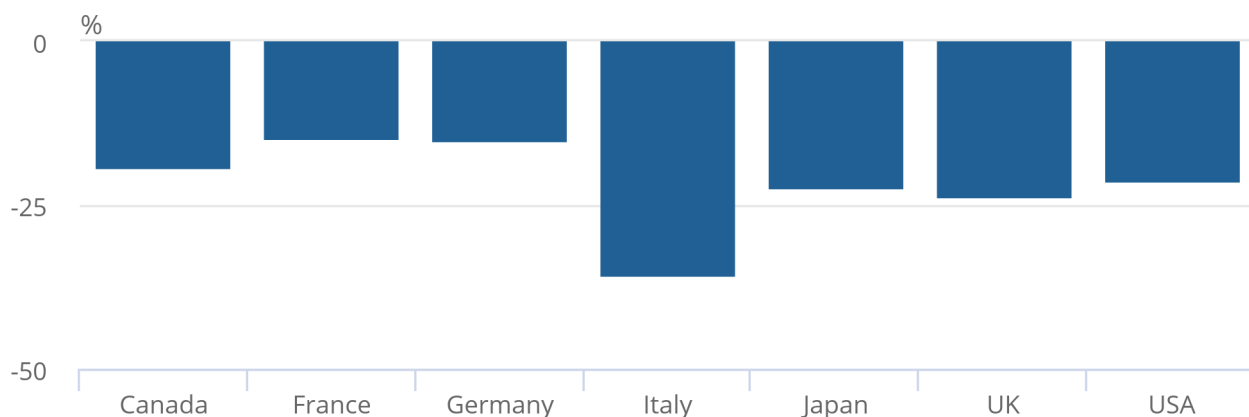
The adverse impact on the levels of trade in services exports has been large from Quarter 4 (October to December) 2019 to Quarter 2 (April to June) 2021, shown in Figure 1. This is also reflected in the levels of imports over the same period. This difference is largely down to the restrictions imposed, particularly on travel and transport services.

Figure 1: Amongst G7 economies, there has been a large impact on trade in services

Percentage change in exports of services from Quarter 4 (October to December) 2019 to Quarter 2 (April to June) 2021

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Percentage change in exports of services from Quarter 4 (October to December) 2019 to Quarter 2 (April to June) 2021



Source: Organisation for Economic Co-operation and Development

3 . Exports and imports of services

UK trade in services remains considerably below pre-coronavirus (COVID-19) levels. When compared with the same quarter in 2019, total exports and imports were down 14.2% and 29.3% respectively in Quarter 2 (April to June) 2021. Over this period, service exports to the EU remained 20.3% lower compared with non-EU countries, which were 10.5% lower. Service imports from the EU were 43.7% lower, while imports from non-EU countries were 16% lower.

There appears to have been some shift in trade in services between the EU and non-EU over this period, with the proportion of total service exports to non-EU countries increasing from 61.9% in Quarter 2 2019 to 64.6% in Quarter 2 2021, and imports from non-EU countries increasing from 52.0% to 61.8% of total service imports.

Figure 2: UK service exports and imports have decreased since Quarter 2 2019 for both EU and non-EU countries

Exports and imports of services, EU, and non-EU, Quarter 1 (January to March) 2016 to Quarter 2 (April to June) 2021

Download the data

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Total service exports increased 2.1% in Quarter 2 2021 compared with Quarter 1 (January to March) 2021, with exports to the EU posting stronger growth (3.6%), and exports to non-EU countries increasing by 1.3%. During the same period, total service imports increased (3.8%), with imports to the EU again showing a greater increase of 7.9% compared with the non-EU countries (1.5%).

4 . Exporting and importing challenges

Using data from Wave 41 of [the Business Insights and Conditions Survey \(BICS\)](#), during the reference period 20 September to 3 October 2021, 10% of currently trading businesses said they had exported, while 9% of not permanently stopped trading businesses had imported in the last 12 months.

These businesses reported how their exporting or importing compared with normal expectations for this time of year and were asked about the challenges they had experienced with exporting or importing in the last two weeks.

Caution should be taken when interpreting these results based on the specific routing of this question meaning that only a small number of businesses responded.

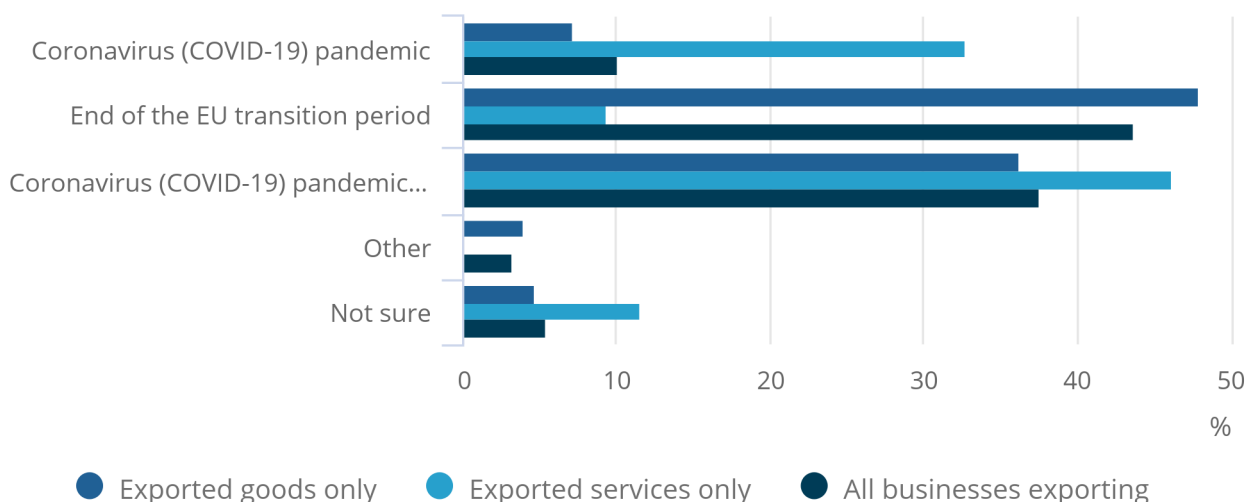
Businesses exporting services only were more likely to report coronavirus (COVID-19) as the main cause of challenge in their trade compared with businesses exporting goods. One-third (33%) of businesses that reported experiencing challenges with exporting services said the main cause was the coronavirus pandemic compared with just 7% for goods only. Of businesses that reported experiencing challenges with exporting goods only, 48% reported the end of the EU transition period was the main cause of these challenges.

Figure 3: Businesses exporting services only are more likely to report coronavirus as a main challenge; those exporting goods only are more likely to cite the end of the EU transition period

Percentage of businesses currently trading that have exported in the last 12 months and reported an exporting challenge, broken down by export status, weighted by count, UK, 20 September to 3 October 2021

Figure 3: Businesses exporting services only are more likely to report coronavirus as a main challenge; those exporting goods only are more likely to cite the end of the EU transition period

Percentage of businesses currently trading that have exported in the last 12 months and reported an exporting challenge, broken down by export status, weighted by count, UK, 20 September to 3 October 2021



Source: Office for National Statistics - Business Insights and Conditions Survey, Wave 41

Notes:

1. Responses to the BICS questions; 'What was the main cause of these exporting challenges?'
2. Caution should be taken when interpreting these results as only a small number of businesses responded.
3. Options may not sum to 100% because percentages less than 1% have been removed for disclosure purposes.
4. [c] represents data that has been removed for confidentiality reasons, such as percentages less than 1%, breakdowns with a count of 10 or less, and breakdowns with a micro business count between 1 or 10 (a micro business has less than 10 employees).

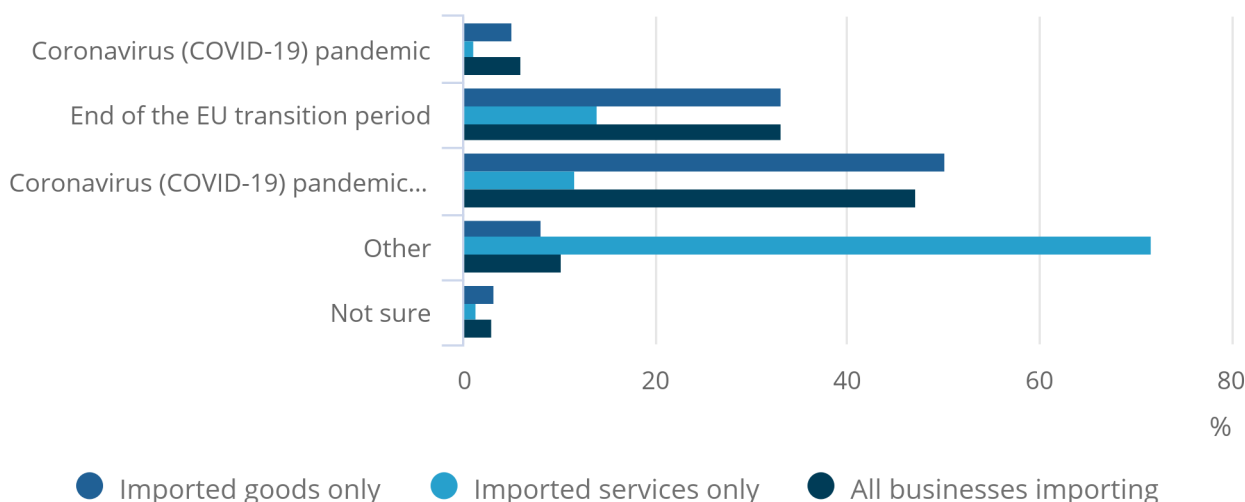
A higher proportion of businesses importing goods only reported experiencing challenges from both the coronavirus pandemic and the end of the EU transition period (50%), compared with only 12% of those importing services (Figure 4). Most businesses that imported services only reported reasons other than coronavirus or the end of the EU transition period as their main challenge, at 72%.

Figure 4: Most businesses importing services only cited reasons other than coronavirus or the end of the EU transition period as their main importing challenge

Percentage of businesses not permanently stopped trading that have imported in the last 12 months and reported an importing challenge, broken down by import status, weighted by count, UK, 20 September to 3 October 2021

Figure 4: Most businesses importing services only cited reasons other than coronavirus or the end of the EU transition period as their main importing challenge

Percentage of businesses not permanently stopped trading that have imported in the last 12 months and reported an importing challenge, broken down by import status, weighted by count, UK, 20 September to 3 October 2021



Source: Office for National Statistics - Business Insights and Conditions Survey, Wave 41

Notes:

1. Responses to the BICS questions; 'What was the main cause of these importing challenges?'
2. Caution should be taken when interpreting these results as only a small number of businesses responded.
3. Options may not sum to 100% because percentages less than 1% have been removed for disclosure purposes.

Further insight into the challenges faced by businesses who trade in services are available from the [quarterly International Trade in Services \(ITIS\) Survey](#). Previously we noted that [respondent comments suggested that the coronavirus pandemic was having the most noticeable impact](#), and this remains the case with Quarter 2 (April to June) and early Quarter 3 (July to September) 2021 responses.

In the latest quarter, companies have reported staff shortages have impacted suppliers, and continued difficulties for staff travel. The live entertainment industry particularly notes the continued impact of the pandemic. However, other responders noted that they have seen improvements in their activity following increased movement and economic activity. While accounting for a much smaller volume of comments, responders have noted that the EU exit continues to impact trade, with reports of difficulties finding staff in the UK resulting in the need to import more services, issues with suppliers because of shortages of materials, fuel and drivers, and the requirement for additional paperwork and new fees leading to increased costs.

5 . Trade in services by account

This section compares trade values before EU exit and the coronavirus (COVID-19) pandemic with the latest values for specific service types.

Figure 5: Exports and imports of travel services made up a much smaller proportion of UK services trade in Quarter 2 2021 compared with Quarter 2 2019

The change in value of UK exports and imports of services, by service type, Quarter 2 (April to June) 2019 and Quarter 2 (April to June) 2021

Download the data

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Travel services

Total exports of travel services declined £6.9 billion (negative 66.8%) and imports £11.1 billion (negative 80.6%) in Quarter 2 (April to June) 2021 compared with Quarter 2 2019. While there are some signs of recovery since Quarter 1 (January to March) 2021 as levels have increased in Quarter 2 2021, in line with easing of the UK's international travel restrictions in May 2021, travel services [continue to be severely affected by the coronavirus \(COVID-19\) containment measures and threatened by the emergence of variants](#).

Since Quarter 2 2020, and the onset of the pandemic, there has been a shift in the proportion of travel exports between EU and non-EU countries. Before and including Quarter 1 2020, exports to non-EU countries consistently made up approximately 60% of total exports of travel services. In Quarter 2 2020, this figure rose to 69% and has remained above 65% since.

Figure 6: Travel service exports and imports have increased since Quarter 2 2020 for both EU and non-EU countries

Travel service exports and imports, EU, and non-EU, Quarter 1 (January to March) 2016 to Quarter 2 (April to June) 2021, UK

Download the data

[.xlsx](#)

Imports of travel services from the EU reduced by 80.7% (£6.7 billion) between Quarter 2 2019 and Quarter 2 2021. Imports from non-EU countries reduced by a similar 80.4% (£4.4 billion) over the same period. Therefore, unlike for exports of travel services, the distribution of imports of travel services from EU countries versus non-EU countries has remained consistent across the pandemic period.

Transport services

Exports and imports of transport services in Quarter 2 (April to June) 2021 were significantly below pre-coronavirus Quarter 2 2019 levels, reflecting the on going impact of the coronavirus pandemic and associated restrictions on modes of transport, such as air and road.

Imports have seen a larger decline of £3.3 billion (negative 53.3%), with exports seeing a fall of £1.5 billion (negative 23.2%) compared with Quarter 2 2019. These movements for both exports and imports were being driven primarily by EU countries. At a whole world level, exports and imports remained stable compared with Quarter 1 (January to March) 2021.

Figure 7: Transport service exports and imports have increased since Quarter 2 2020 for EU countries; for non-EU countries exports and imports have decreased over the same period

Transport service exports and imports, EU, and non-EU, Quarter 1 (January to March) 2016 to Quarter 2 (April to June) 2021, UK

Download the data

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Exports of transport services to the EU contribute 18.1% to the total fall in EU exports. Similarly, imports of transport services have seen sharp declines of 62.0% over the same period, the second-largest contributor (22.6%) to the total decline in service imports from the EU.

There was a larger fall in imports of transport services from EU (£2.5 billion (negative 62.0%)) than non-EU countries (£0.8 billion (negative 37.0%)) in Quarter 2 2021, in comparison with Quarter 2 2019. Imports of air transport from EU countries have seen a substantial decline in value of £2.2 billion (negative 84.9%) in comparison with Quarter 2 2019, with non-EU imports having declined £0.5 billion (negative 45.6%) in the same period.

There are some signs of recovery in imports of air transport from EU countries, which have increased £0.15 billion (62.9%) since Quarter 1 2021, in comparison with a £0.18 billion (negative 21.6%) decline in imports from non-EU countries. Imports of air transport remain significantly below pre-coronavirus values.

This divergence in recovery on an EU and non-EU basis can be attributed to the ongoing impact of the coronavirus pandemic, which has predominately affected the performance of European air traffic in comparison with the rest of the world. When the pandemic started in 2020, European air traffic fell as most low-cost carriers who rely on European operations stopped flying altogether, with passenger volumes down 99% on the previous year at the height of the pandemic in April 2020. In contrast, a collection of carriers operated core routes, which resulted in non-EU imports seeing a less significant decline in value.

Other business services

Trade in other business services fell between Quarter 2 (April to June) 2019 and Quarter 2 2021. Exports decreased by £0.7 billion to Quarter 2 2021 whereas imports have decreased by £0.4 billion over the same period.

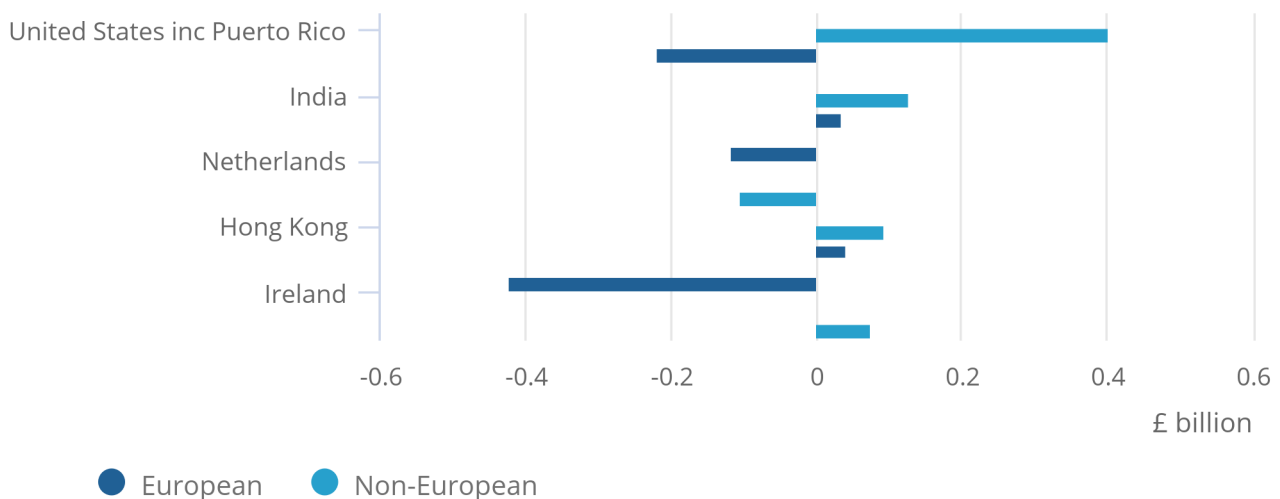
Imports of other business services from the EU have fallen £1.1 billion in Quarter 2 2021 compared with Quarter 2 2019, contributing 9.7% to the overall drop in imports from the EU. However, this trend is not consistent on a global basis, with non-EU imports of other business services increasing £0.7 billion. The decline in EU imports can be largely attributed to falls in technical, trade-related and other business services, decreasing £0.7 billion over this period, although EU imports have increased by £0.2 billion from Quarter 1 (January to March) 2021.

Figure 8: Imports of technical, trade-related and other business services compared with the same quarter in 2019

Change in value in Quarter 2 (April to June) 2021 compared with Quarter 2 (April to June) 2019, by largest trading partner, £ billion, UK

Figure 8: Imports of technical, trade-related and other business services compared with the same quarter in 2019

Change in value in Quarter 2 (April to June) 2021 compared with Quarter 2 (April to June) 2019, by largest trading partner, £ billion, UK



Source: Office for National Statistics - UK trade in services: service type by partner country, non-seasonally adjusted

Figure 8 shows the change in value of technical, trade-related and other business services for the largest partner countries in Quarter 2 2021 compared with Quarter 2 2019. Imports from EU countries are generally showing decreases including Ireland, which decreased £0.4 billion. Over the same period, some of the largest non-EU partners are increasing including the United States, which increased £0.4 billion. However, there are countries in both regions offsetting these movements.

Financial services

In Quarter 2 (April to June) 2021, trade in financial services declined for both exports and imports by £1.5 billion (negative 9.7%) and £0.3 billion (negative 6.3%) respectively compared with Quarter 2 2019. Non-EU exports increased £0.5 billion (5.1%) and imports £0.01 billion (0.4%) since Quarter 2 2019, whereas EU exports and imports declined £2.0 billion (negative 30.6%) and £0.3 billion (negative 21.3%) respectively.

While there are further declines in value for world total exports and imports since Quarter 1 (January to March) 2021, such movements are more pronounced for exports, which have fallen £1.0 billion (negative 6.9%) compared with a decline of £0.03 billion (negative 0.8%) for imports.

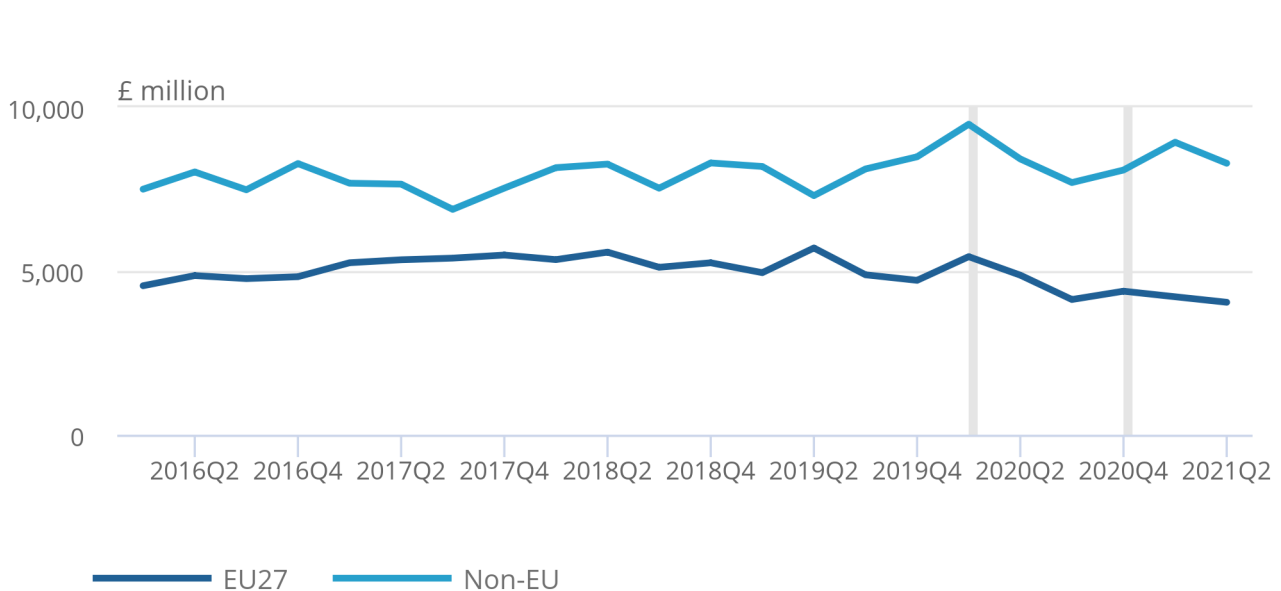
This fall in financial services trade with the EU is partly because of EU exit-related rule changes, with the UK-EU Trade and Co-operation Agreement (TCA) [containing limited provision for access in financial services](#) (PDF, 522KB). While financial services have been relatively stable, the on going impact of the TCA is evident in Quarter 2 2021. The fall in financial services trade with the EU is being driven by exports of explicitly charged and other financial services, where the large EU partner countries of France, Ireland, Germany and the Netherlands have seen declines in value in Quarter 2 2021 on both a pre-coronavirus Quarter 2 2019 and Quarter 1 2021 basis. This is in line with [reports of some financial service provision, such as share and derivatives trading, moving](#) (PDF, 522KB) from the UK to the EU or via intermediate countries with access to EU markets such as the United States following the end of the EU exit transition period in 2021.

Figure 9: Exports of explicitly charged and other financial services have decreased since the pre-coronavirus period

Exports of explicitly charged and other financial services, EU, and non-EU, Quarter 1 (January to March) 2016 to Quarter 2 (April to June) 2021, UK

Figure 9: Exports of explicitly charged and other financial services have decreased since the pre-coronavirus period

Exports of explicitly charged and other financial services, EU, and non-EU, Quarter 1 (January to March) 2016 to Quarter 2 (April to June) 2021, UK



Source: Office for National Statistics - UK trade in services: service type by partner country, non-seasonally adjusted

6 . Glossary

BICS

Business Insights and Conditions Survey.

Exports

Goods or services sold to other countries – the opposite of imports.

Imports

Purchases of foreign goods and services – the opposite of exports.

Total trade

The value of total trade between two trading partners (that is, exports plus imports).

Coronavirus

Coronaviruses are a family of viruses that cause disease in people and animals. They can cause the common cold or more severe diseases, such as COVID-19.

COVID-19

COVID-19 is the name used to refer to the disease caused by the SARS-CoV-2 virus, which is a type of coronavirus. The Office for National Statistics (ONS) takes COVID-19 to mean presence of SARS-CoV-2 with or without symptoms.

EU exit transition period

The EU exit transition is the period agreed in the UK-EU Withdrawal Agreement in which the UK is no longer a member of the EU but continues to be subject to EU rules and remains a member of the single market and customs union. When the UK left the EU on 31 January 2020, it entered the transition period. The transition period came to an end on 31 December 2020.

7 . Data sources and quality

This article presents UK trade data analysis for trade in services for Quarter 2 (April to June) 2021, reflecting the most up-to-date trade in services data that are available. It also includes evidence from businesses responding to the [Business Insights and Conditions Survey \(BICS\)](#), which is designed to capture economic-based information from businesses who are currently trading. BICS provides a useful insight into some of the underlying causes of the movements in trade outlined in this article regarding the impact of the coronavirus (COVID-19) pandemic. Recent high-level information on UK trade is also published monthly in our UK [Trade bulletin](#).

It is worth noting that UK trade has seen challenges with data collection because of social distancing measures caused by the coronavirus. These have largely impacted both the International Trade in Services (ITIS) Survey and the International Passenger Survey (IPS). Further detail on the challenges and the measures we have taken can be found in Section 11 of the [UK trade release](#) published 12 November 2020.

UK trade data unless stated are in current prices, meaning they have not been adjusted to remove the effects of inflation. Trade in services data are presented on a non-seasonally adjusted basis.

More quality and methodology information on strengths, limitations, appropriate uses, and how the data were created is available in the [UK trade QMI](#).

8 . Related links

[The impacts of EU exit and coronavirus \(COVID-19\) on UK trade in services: July 2021](#)

Article | Released 27 July 2021

An analysis of UK trade in services in the context of the ongoing coronavirus (COVID-19) pandemic and the end of the EU transition period on 31 December 2020.

[Impacts of the coronavirus and EU exit on UK trade in goods](#)

Article | Released 25 May 2021

An analysis of UK trade in goods in the context of the ongoing coronavirus (COVID-19) pandemic and the end of the EU transition period on 31 December 2020.

[Impacts of the coronavirus on UK trade: December 2020](#)

Article | Released 2 December 2020

The impacts of the coronavirus (COVID-19) on UK trade, with a focus on trade in services for Quarter 2 (Apr to June) 2020 and trade in goods for Quarter 3 (July to Sept) 2020.

[Impacts of the coronavirus on UK trade: July 2020](#)

Article | Released 8 July 2020

The impacts of the coronavirus (COVID-19) on UK trade, with a focus on trade in goods.