

September 2023

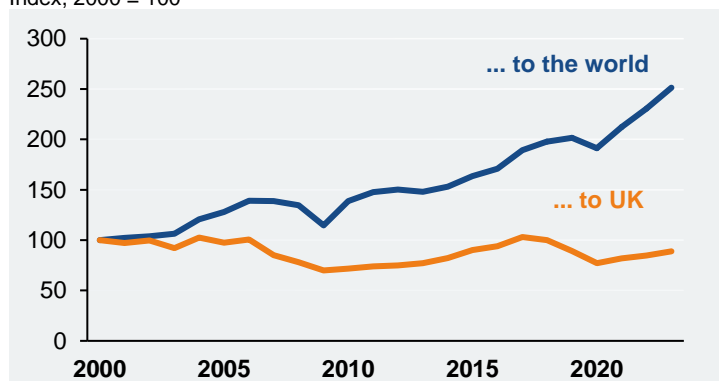
ZVEI Foreign Trade Report Special

United Kingdom (UK)

Even after Brexit, the United Kingdom – with its 68 million inhabitants, a GDP of 2.9 trillion euros, and not least its geographical proximity – remains an important trading partner for Germany and a major market place for the German electro and digital industry. With a value of 89.9 billion euros (2022), the market in UK is the second biggest electro market in Europe and ranked 7th worldwide. However, it is significantly smaller today than it was at the turn of the millennium. Thus, its volume was nearly five billion euros higher in 2000 than in 2022. Consequently, UK's share in the global electro market has decreased from then four percent to 1.6 percent now.

German electro exports

Index, 2000 = 100



Source: Destatis and ZVEI's own calculations; 2023 is updated with rate of change for the first half of the year

The exports of the German electro and digital industry to the United Kingdom amounted to 9.3 billion euros in 2022, which corresponds to a share of 3.8 percent in the total sector's deliveries abroad (of €245.8bn).

Ranking in 9th position, the country is still among the top ten biggest customer countries. Nonetheless, electro deliveries to UK have lost much of their former importance. In 2000, the country still came to a share of 10.3 percent in the German electro exports. Moreover, UK was even the biggest customer country in 2004. In the meantime, the value of German electro goods shipped to the island is 1.7 billion euros lower now than at the turn of the millennium. Several reasons play a role in this development. First, exports in the ICT sector (still at €5.3bn in 2000) fell sharply after

the burst of the dotcom bubble. Second, UK's manufacturing sector has shrunk over time. According to World Bank data, it accounted only for eight percent of GDP in 2022. Third, the British currency has depreciated by more than a third against the euro since 2000. Finally, German exports to UK have suffered from Brexit. Here, the decline already started after the referendum, i.e., before its actual consummation (in January 2022).

Particularly the deliveries of the sub-branches of automation (€1.7bn), ICT (€1.7bn), electronic components (€0.9bn), domestic electrical appliances (€0.7bn) and power engineering (€0.6bn) contributed the most to the German electro exports to UK in 2022.

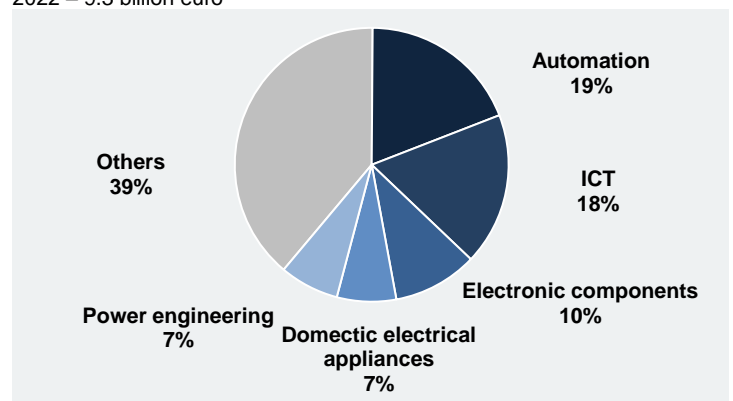
The imports of electrical and electronic products from UK to Germany summed up to 4.0 billion euros last year, corresponding to a share of 1.5 percent in total electro imports (of €262.1bn). As in the case of exports, there was also a significant decline in imports compared with 2000. At that time, imports amounted to 8.2 billion euros (share of 7.7%).

The United Kingdom is still an important investment destination of the German electro and digital industry.

In 2021, the sector held FDI stocks worth 3.8 billion euros in UK. This makes the United Kingdom our sector's fourth largest investment location worldwide – behind the United States, China and Italy. Therefore, stocks in UK stood for 6.2 percent of the sector's total FDI engagement abroad (which amounted to a value of €48.6bn in the same year).

German electro exports to UK by sub-branches

2022 – 9.3 billion euro



Source: Destatis and ZVEI's own calculations