Economy Module

Regional Trade in Goods

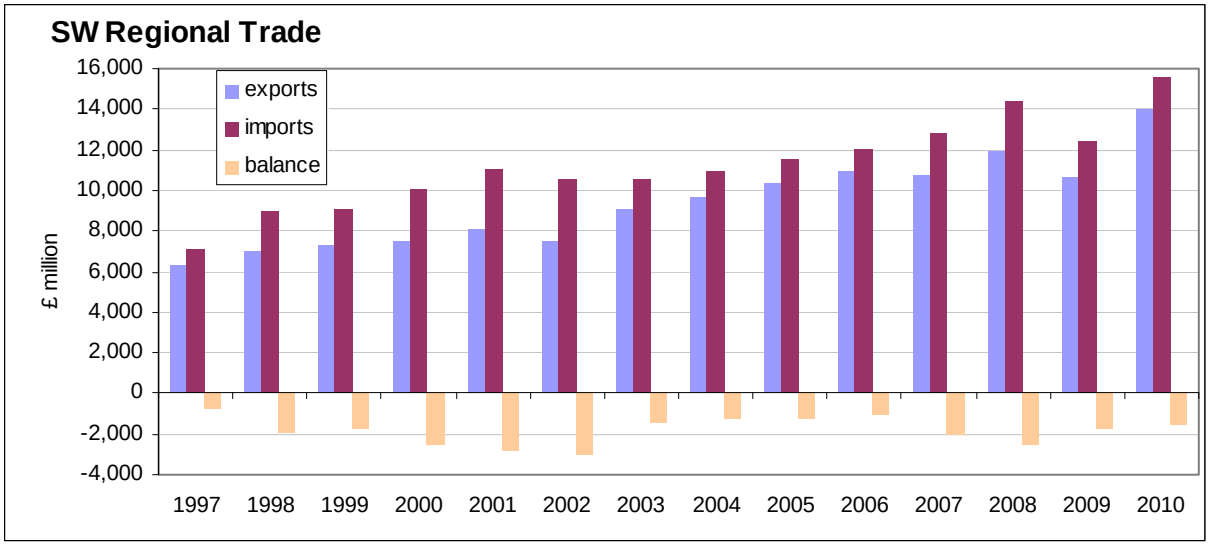
June 2011

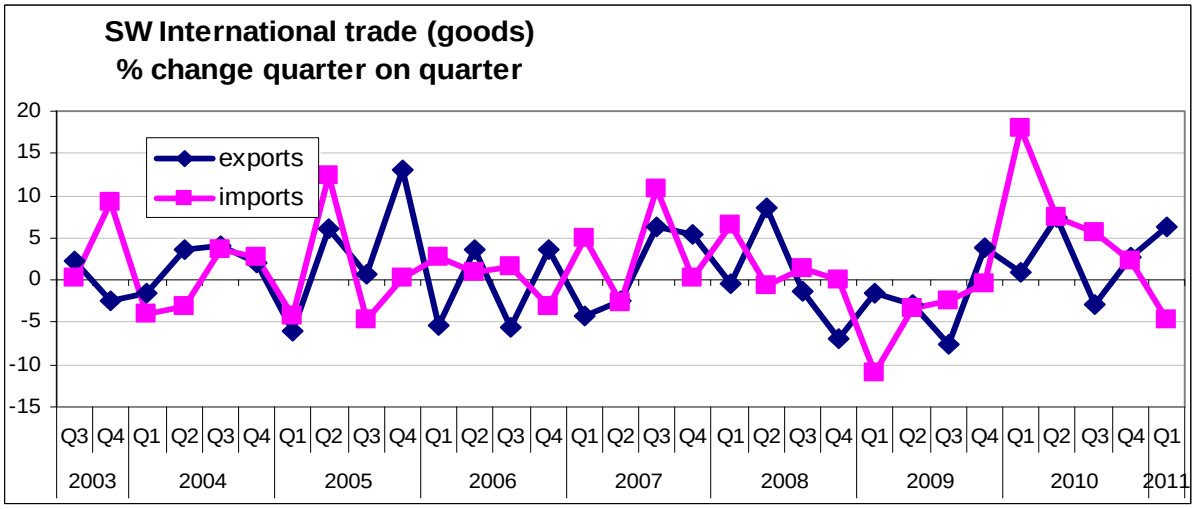
SOUTH WEST OBSERVATORY

South West RDA

SW trade in goods

The latest figures on SW trade in goods show a rebound in both exports and imports after the recession (see first chart). In 2010, in nominal terms, exports rebounded by 30% and imports by 25%. The deficit shrank by 10%. In the first quarter of 2011, exports and imports were 14% and 10% higher than a year earlier respectively. Quarter-by-quarter, the series remains highly volatile (see second chart).



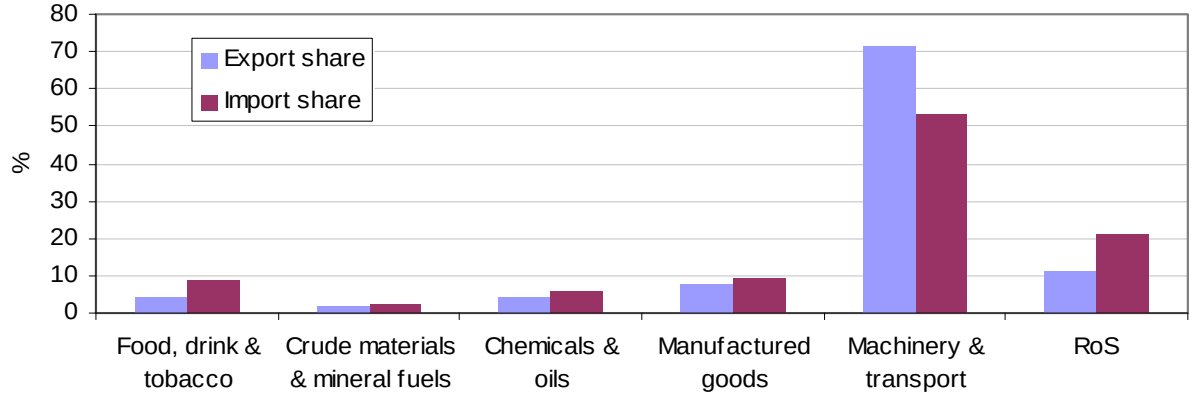


SW trade by sector

The pattern of trade by sector shifted significantly in 2010. The region is highly dependent on machinery and transport products in terms of exports and imports. Indeed, this excess concentration has increased, with most other sectors, including other manufacturing, losing share. Last year, this sector provided 71% of exports and 53% of imports (see chart below). This compares with 63% and 43% in 2009 and averages of 63% and 47% respectively over the previous four years (2005-2008). It remains to be seen whether this shift is a temporary result

of special factors related to the recovery after a deep recession (and other sector shocks) or whether it is a permanent structural shift that implies even less resilience in the face of future changes, largely in aerospace and motors.

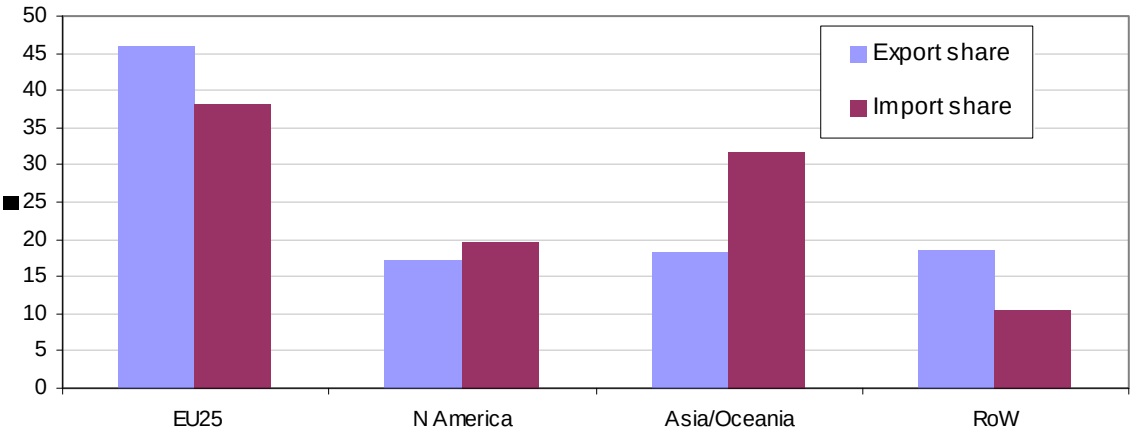
SW Trade Shares by Sector, 2010



SW trade by area

The pattern of trade by area also shifted significantly in 2010. The region has moved from over 60% dependence on EU markets for exports (2005-2007), stepping down to 45% in 2010 (see next chart). The import share has dropped from over 40% (peak 46% in 2009) to 38% last year. Both North America and Asia/Oceania have gained shares. For example, in the first case, exports to North America has moved from a 'norm' of about 13% up to 17% and Asia/Oceania has gone from 12% to 18%. Again, we can not be sure if this shift in share is temporary or permanent. It is likely to reflect a) the longer downturn in some parts of Europe, b) exchange rate changes, and c) faster rebound and trend growth in "new" markets.

SW Trade Shares by Country, 2010



Conclusion

The combination of more dependence on machinery and transport and less dependency on the EU suggests useful geographical diversification on the industries where we have most competitive advantage.

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