GREATER MANCHESTER INDEPENDENT PROSPERITY REVIEW

EVIDENCE UPDATE: TRADE

A research report for the
Greater Manchester Prosperity Review: Evidence Update
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Greater Manchester Combined Authority Research Team produces high quality research and intelligence to form the evidence base underpinning policy and strategy for the city region.

The Greater Manchester Independent Prosperity Review was commissioned by a panel of distinguished experts, chaired by Professor Diane Coyle, to provide a detailed and rigorous assessment of the current state, and future potential, of Greater Manchester's economy. Commencing ten years on from the path-breaking Manchester Independent Economic Review, it provides a fresh understanding of what needs to be done to improve productivity and drive prosperity across the city region.

This latest update, the Greater Manchester Independent Prosperity Review: Evidence Update is a key part of the sustained work done by researchers at the Greater Manchester Combined Authority – with input and challenge from experts. The update explores seven inter-connected thematic areas: carbon neutrality, health inequalities, productivity and the business base, the labour market, skills utilisation and employer investment in skills, trade, and transport in light of the significant economic developments experienced since 2019 (Covid-19, UK's exit from the European Union and the energy and inflation shock).

This report, alongside the six other research reports on the thematic areas listed above, forms part of a suite of work from which the summary, the Evidence Update: Reflections Report is drawn. The evidence update will be used to inform the refresh of the Local Industrial Strategy.

Contents

Executive Summary

This paper seeks to examine the data on exports performance in Greater Manchester (GM) to assess how exporting has changed over the period 2016 to 2021 with particular reference to the UK's decision to leave the European Union and the impact of the Covid-19 pandemic. The analysis aims to bring together official statistics and novel approaches to data gathering to provide the most robust assessment available. This analysis is particularly relevant in considering how Greater Manchester might seek to improve its productivity given the finding of the Greater Manchester Independent Prosperity Review that identified exporting as a key behaviour amongst more productive firms.

Greater Manchester's export performance relative to its GVA also suggests there is the potential for further exporting activity amongst GM's firms. Greater Manchester was the 17th largest exporter of goods and the ninth largest exporter of services in the UK out of all International Territorial Level 2 regions in 2020. GM ranks sixth amongst the 41 ITL2 areas for its contribution to GVA.

Official data suggests only modest growth in Greater Manchester's goods exports compared to the UK in the period preceding the pandemic. GM's goods exports grew substantially more slowly than the UK's between 2016 and 2019. However, exports of goods from GM were more resilient in 2020, the first year of Covid-19, than those of the wider UK. GM had greater reliance on trade with the European Union (EU) than the wider UK which intensified in the first year of Covid-19 as GM's share of goods exports to the EU grew to 59% whilst the UK's fell to 45%.

Data on services is less detailed than for goods – it only covers the period 2017-2019 and provides limited detail on destination countries. However, it shows, that similarly to goods exports, GM growth did not keep pace with UK growth in the period preceding the pandemic. Improving the quality of data on services exports would be beneficial toward gaining a more complete understanding of effects of exiting the EU on international trade in GM.

Significant work has been undertaken to examine the impact of the introduction of the EU-UK Trade and Cooperation agreement (TCA) on GM's goods exporting businesses. It is not possible to detect a direct impact on the volume of GM firms

exporting goods following the introduction of the Trade and Cooperation Agreement. There was not a discernible increase in the number of firms that stopped exporting in 2021 compared to an earlier comparator year (2018). Similarly, the number of firms that began exporting in 2021 was broadly in line with the number that started in 2018.

Due to the long-term stability of many international trading relationships, it is likely that the full effects of exit from the EU and the implementation of the TCA have not yet been fully realised. Trading relationships are by their very nature long-term and this explains much of the finding – it is mirrored nationally.

Nevertheless, overall values of goods exports did fall in GM and nationally in the first year of the pandemic and GM businesses report that the cost and complexity of exporting (including both tariff and non-tariff hurdles) has increased for many businesses. This is accompanied by continued uncertainty about the ultimate cost of exports and reports of additional difficulties in trading through UK and international ports.

It remains to be seen what the longer-term impact may be, however, the Resolution Foundation found in their report *Stagnation Nation* that, the UK had suffered a decline in the 'openness and competitiveness' of its trading relationships that they forecast by 2030 will lead to UK firms exporting 24% less than if the UK had retained EU membership. Export performance in GM will need close monitoring in the coming years to identify the extent of any changes in the nature and scale of exporting activity.

1. Introduction and scope

The Greater Manchester Independent Prosperity Review 2019[1] identified the important role that exporting plays in productivity growth. In particular, it found that:

“There is little difference in the productivity distributions of firms in the routine economy (retail, hospitality etc), which are almost identical between city regions, with the exception of London. The main characteristics associated with higher performing firms are those that have international trade (exporting). This applies across all business age groups and firm sizes.”

Building on this finding the review concluded that “growing the propensity of firms to export, and raising the value of exports will be an important contribution to raising aggregate productivity in GM.” The UK’s decision to leave the European Union created a complex backdrop for the delivery of this ambition. In particular, the lack of certainty for firms in relation to tariffs, rules of origin, customs procedures and product regulations which were widely expected to negatively impact on firms’ propensity for exporting.

This paper aims to examine the available data on exports from Greater Manchester and begin to assess the effect of this period of uncertainty and, latterly, arrangements under the EU-UK Trade and Cooperation Agreement (TCA[2]). To do this, official data at both a local and national scale has been examined as well as data on individual firm’s exporting behaviours.

The paper is divided into two sections:

- The first examines the official data on goods and services exports to identify the prevailing trends in GM’s exports from 2016 onwards.
- The second examines the TCA and uses firm level data on goods exports to describe the extent to which the introduction of the TCA impacted on Greater Manchester's firms’ exporting.

[1] Greater Manchester Independent Prosperity Review on GMCA website
[2] UK/EU and EAEC: Trade and Cooperation Agreement on Gov.uk website

The paper is designed to aid decision making in relation to the refreshed Greater Manchester Local Industrial Strategy particularly in reference to interventions relating to international trade.

2. Export trends 2016 - 2020

2.1 Goods exports from Greater Manchester

In addition to the impacts of the UK's departure from the European Union, in exploring recent exports it is important to reflect on some of the economic consequences of the Covid-19 pandemic. Disruption to supply chains created rising costs and delays in the movement of goods. The pandemic also introduced additional complications in the operation of many businesses with requirements for social distancing and other public health considerations. In order to better identify this effect, the analysis considers change in goods exports from GM across two periods:

- 2016 – 2019: To examine change following the UK's Brexit vote
- 2019 – 2020: To examine change that occurred during the Covid-19 pandemic

HMRC provides data on trade in goods at a GM and UK level. Analysis in this paper focuses on two particular datasets:

- Data on goods exports at a GM level from HMRC's annual release '"Regional Trade in Goods Statistics disaggregated by smaller geographical areas".[3]
- Data on goods exports at a UK level is taken from HMRC's annual 'UK Overseas trade in goods statistics'.[4]

While these official datasets are amongst the most authoritative sources for UK international trade statistics at a subregional level, they contain limitations. The most recent GM level data is for 2020 and so only provides information on the first nine months of the pandemic. It also allows a breakdown of exports by either industry or partner country, not both. Where industry classifications are provided, they use broad industrial classifications which limits the specificity of analysis that can be undertaken.

[3] Regional trade in goods statistics disaggregated by smaller geographical areas: 2020 - GOV.UK (www.gov.uk)
[4] UK overseas trade in goods statistics: summary of 2021 trade in goods - GOV.UK (www.gov.uk)

Findings

Total goods exports from Greater Manchester grew by 3.2% from £6.4 billion to £6.6 billion between 2016 and 2019. However, GM failed to keep pace with national growth in goods exports (+18.3%) by a substantial margin. Both nationally and in GM, growth was particularly focused in the period 2016-2018, growth halted in 2019 and then contracted in 2020.

Across the whole period 2016 – 2020, total exports in GM declined by –2.7% while UK exports increased by 2.2%. The chart below compares goods export growth in GM and the UK indexed to 2016 (the earliest year available).

Figure 1: GM and UK Goods Exports index 2016 - 2020

Source: HMRC

Across the period, GM's goods trade was more reliant on the EU than the UK average. 58% of GM's trade in goods was with EU countries, compared to 47% for the UK.

The data on the nature of goods exports provides limited categorisations, however it shows that GM's leading export categories were consistently: Machinery and Transport Equipment (£1.8bn in 2019), Miscellaneous manufactured articles[5] (£1.5bn) and Chemical and Related Products (£1.3bn). The most pronounced growth was in

[5] A widely varying category that includes (amongst other things) building fixtures and fittings, furniture, travel goods, clothing, footwear, scientific instruments, photographic equipment, watches and clocks, office supplies, art, jewellery and musical instruments

‘Commodities and transactions’ which grew from £62 million to £172 million, growth of 177%. This substantially outpaced UK growth in the sector (+60%). This sector contains broad sub-categories relating to movement of gold and other coins and a range of other special transactions. It also includes ‘postal packages not classified according to kind’ which may include the activities of smaller traders (such as those using e-commerce marketplaces). The exact nature of the growth in this sector cannot be defined in the data examined and would require further research to understand more fully. A full list of commodities and the change across the period is included overleaf. This is categorised in Standard International Trade Classification (SITC) codes which classify the commodity exported - these are different to Standard Industrial Classification codes (SIC) quoted elsewhere in this report which classify the industry of a company.

Figure 2: GM Goods Exports 2016 to 2019

Full details of change in goods exports broken down by SITC (including UK growth rates for context) is provided below.

SITC	2016 (£millions)	2019 (£millions)	GM % Change	UK % Change
Animal and vegetable oils, fats and waxes	20	30	50.0%	24.0%
Beverages and Tobacco	138	19	-86.2%	14.1%
Chemicals and related products	1214	1292	6.4%	2.8%
Commodities and transactions	62	172	177.4%	59.8%
Crude materials, inedible, except fuels	246	202	-17.9%	17.9%
Food and Live Animals	440	519	18.0%	19.3%
Machinery and transport equipment	1648	1842	11.8%	13.0%
Manufactured goods	885	894	1.0%	18.7%
Mineral fuels, lubricants and related materials	224	91	-59.4%	65.4%
Miscellaneous manufactured articles	1495	1518	1.5%	14.1%
Grand Total	6372	6579	3.2%	18.3%

Figure 3: GM Goods Exports 2019 to 2020

Full details of change in goods exports broken down by SITC (including UK growth rates for context) is provided below.

SITC	2019 (£millions)	2020 (£millions)	GM % Change	UK % Change
Animal and vegetable oils, fats and waxes	30	26	-13.3%	0.3%
Beverages and Tobacco	19	15	-21.1%	-19.4%
Chemicals and related products	1292	1546	19.7%	-2.3%
Commodities and transactions	172	207	20.3%	-4.3%
Crude materials, inedible, except fuels	202	163	-19.3%	-6.0%
Food and Live Animals	519	585	12.7%	-3.6%
Machinery and transport equipment	1842	1638	-11.1%	-20.0%
Manufactured goods	894	743	-16.9%	6.7%
Mineral fuels, lubricants and related materials	91	37	-59.3%	-34.6%
Miscellaneous manufactured articles	1518	1242	-18.2%	-16.7%
Grand Total	6579	6202	-5.7%	-13.6%

Although GM's exports grew at a slower rate than the UK in the preceding years, they proved more resilient during the first year of Covid-19. Total goods exports declined by -5.7% in GM between 2019 and 2020 compared to -13.6% for the UK.

GM became slightly more reliant on EU export partners in 2020 with the share of EU exports rising by one percentage point to 59.2%. The opposite effect occurred across the UK, as the equivalent figure declined to 44.7% in 2020, a reduction of 3.2 percentage points.

In 2020, Ireland increased its share of GM's total goods exports to become GM's joint top export partner with Germany.

Three goods export categories underwent substantial growth in 2020 in GM where there was a decline nationally:

- Chemicals and related materials grew substantially adding £250 million in value equivalent to year-on-year growth of +19.7%. This compared to a national contraction in the sector of 2.3%
- Food and Live Animals, likely to be predominantly the activities of food manufacturers in GM, grew in line with national trends between 2016 and 2019, but experienced growth of £66 million (+12.7%) in GM against a national contraction of 3.6%
- The trend for growth in Commodities and Transactions continued (+20.3%) whilst nationally it declined by 4.3%

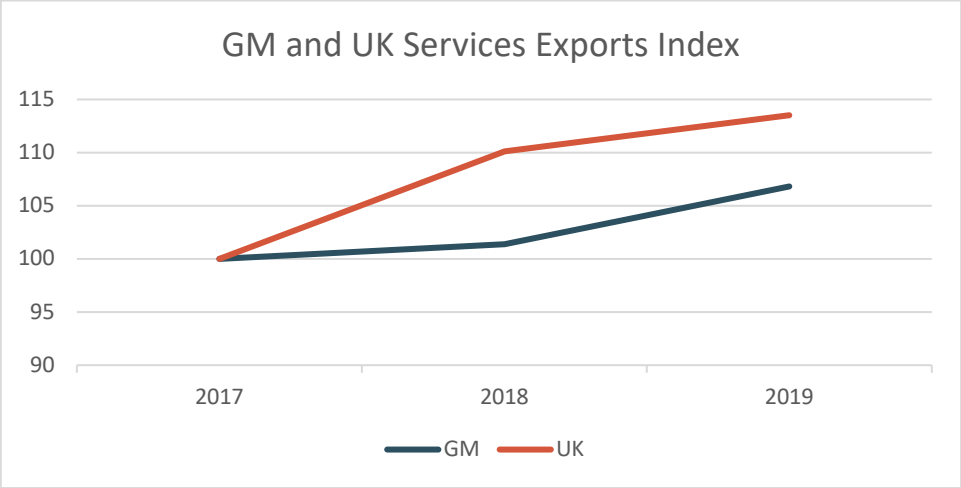
Also noteworthy is the change in exports of manufactured goods which is spread across two categories - manufactured goods and miscellaneous manufactured articles In both instances the GM economy saw limited export growth in the 2016-19 period (+1% and +1.5%) in comparison to stronger UK growth (+18.7% and +14.1%). GM also saw a substantial reduction in the Manufactured goods category in 2020 (-16.9%) whilst the UK continued to grow (+6.7).

2.2 Services exports from Greater Manchester

Data on international trade in services at a GM level is taken from the ONS' annual release 'Subnational trade in services'.[6] At the time of writing the most recent release includes data from 2017 to 2019, as such, no analysis of Covid-19 effects is possible.

The chart below compares services exports growth in GM and the UK indexed to 2017 (the earliest year available).

Figure 4:GM and UK Services Exports Index 2017 - 2020



Source: ONS

The data shows that GM's services exports grew by 6.8% from £8.2 billion to £8.8 billion across the period, more slowly than for the UK which experienced growth of 13.5% across the period.

The fastest growing services industry in terms of exports was Retail (+78.3%), followed by Other Services[7] (+37.5%) and Financial and insurance activities (+23.0%). These three industries outpaced national growth where exports grew by +71.7%, +18.4% and 21.2% respectively. High growth in Retail exports may reflect GM's strength in the e-commerce sector, where several large firms are headquartered.

[6] Subnational trade in services - Office for National Statistics (ons.gov.uk)

[7] 'Other Services' describes Standard Industrial Classification (SIC) Code sections O – T, this includes Public administration and defence, Education, Human health and Social Work activities, Arts, entertainment and recreation and activities of households as employers.

Exports to the EU accounted for 39.8% of GM's total service exports, compared to 38.1% for the UK. GM's largest partner country in terms of service exports was the USA (£1.9 billion) in 2019, followed by Italy (£582 million), Netherlands (£528 million), Germany (£476 million), France (£369 million) and Ireland (£339 million). The top five service export partner countries for the UK were the USA, Ireland, Germany, Netherlands and France.

Official data on services is substantially less detailed than for goods exports and makes in depth analysis of exporting behaviour in GM more challenging. More timely and detailed data on services would be beneficial to provide a more complete assessment of all exports by GM firms. A breakdown of service exports by industry (including UK growth rates for context) is provided below.

Figure 5: GM Services Exports by Standard International Trade Classification Code

Industry	**2017 (£ millions)**	**2019 (£ millions)**	**% change GM**	**% change UK**
Non-manufacturing	23	N/A	N/A	N/A
Manufacturing	324	288	-11.1%	10.2%
Transportation and storage	1155	1,332	15.3%	31.0%
Accommodation and food service activities	420	404	-3.8%	31.7%
Information and communication	546	382	-30.0%	15.1%
Financial and insurance activities	2541	3,126	23.0%	21.2%
Real estate, professional, scientific and technical activities	927	1,039	12.1%	38.2%
Administrative and support service activities	944	230	-75.6%	-55.6%
Other service industries	1175	1,616	37.5%	18.4%
Wholesale and motor trades	87	N/A	N/A	-4.7%
Retail (excluding motor trades)	106	189	78.3%	71.7%
All Industries	8247	8,809	6.8%	13.5%

3. Examining the impact of the Trade and Cooperation Agreement on exporting firms in Greater Manchester

The UK-EU Trade and Cooperation Agreement came into effect on 1 January 2021 following three and a half years of political turbulence surrounding the process for the UK's withdrawal from the EU. The TCA includes a broad range of provisions relating to issues such as freedom of movement and security issues. Analysis was undertaken focussing on policy changes that are most likely to have affected GM's exporting businesses.

Figure 6: Timeline of the UK's withdrawal from the European Union up to the implementation of the Trade and Cooperation Agreement

Date	Event
23rd June 2016	The UK votes to leave the European Union
29th March 2017	UK formally triggers Article 50, beginning two year countdown to leaving EU
20th March 2019	UK ask to extend Article 50 until 30 June 2019, the EU accepts
2nd April 2019	UK asks to extend Article 50 until 31st October 2019, the EU accepts
19th October 2019	The government's Brexit deal loses a vote on an amendment in the House of Commons, Prime Minister asks EU for further extension to withdrawal process
28th October 2019	EU agree a further extension withdrawal process to 31st January 2020
23rd January 2020	The European Union (Withdrawal Agreement) Act 2020 receives royal assent

30th January 2020	The Withdrawal Agreement is ratified by the EU
31st January 2020	The UK leaves the European Union and enters transition period
24th December 2020	The Trade and Cooperation agreement is reached in principle following negotiations
30th December 2020	The Trade and Cooperation agreement is signed by the EU and UK
31st December 2020	The transition period ends and the UK formally leaves the EU single market and customs union.
28th April 2021	The EU Parliament formally ratifies the Trade and Cooperation agreement

3.1 Provisions of the Trade and Cooperation Agreement

The TCA included a range of policy changes and provisions that affected businesses trading internationally, these are examined specifically below with further provisions explored in Annex 1.

Tariffs and Rules of Origin

Prior to implementation of the TCA, the UK had been part of the EU single market and customs union which allowed unrestricted trade between the UK and other EU Member States. One of the most important aspects of the TCA was a commitment to maintain tariff-free and quota-free trade in goods between the UK and the EU, including all industrial and agricultural goods, if rules of origin continued to be met.

Rules of Origin make provisions for determining where goods traded between the UK and the EU originate and therefore whether they are eligible for exemptions from tariffs. The provisions are complex, however, they effectively mean that products exported to the EU qualify for preferential treatment if they have been wholly obtained

in the UK, if they have been produced from materials exclusively from the UK, or if they have been sufficiently processed in the UK (provided certain conditions are met – e.g. the amount of non-UK materials used does not exceed a particular value). This principle applies for EU imports to the UK too.[8]

These Rules of Origin provisions prevent goods manufactured in non-EU countries being routed through the UK (or the EU) to avoid paying tariffs. The UK Trade Policy Observatory at the University of Sussex has suggested that processed foodstuffs, materials, chemicals, textiles, automotives and transport equipment, and machinery and electronics are sectors where rules of origin could have the most significant impact.[9] This finding is most significant for GM in the affected sectors where it has a relative strength such as chemicals and machinery manufacture. These two sectors accounted for 25% and 26% of GM's total goods exports respectively in 2020.

Customs controls and facilitation

The TCA introduced new controls on goods crossing the border to the EU that included the need to submit customs declarations, correctly classify goods, record the origin of goods and a requirement to complete safety and security declarations. Whilst these controls have been introduced gradually for imports (with full roll-out extending into 2023), for exports, the EU introduced full customs controls from 1st January 2021. This meant that exporters were required to quickly adopt new exporting processes into their business models and absorb additional costs.

Trade in services and other provisions

The TCA made commitments to ensure market access for trade in services including provisions to allow for temporary business travel, transfers of staff within companies and other relevant forms of short-term mobility between the UK and the EU. There are a number of exemptions to these commitments for specific sectors and in general they do not prevent either the UK or the EU imposing further requirements which affect trade in services in the future. For example, the agreement does not protect UK passporting rights (i.e. the right of financial services firms to operate in the EU without

[8] IPPR (Dec 2020) The agreement on the future relationship: a first analysis

[9] UKTPO (July 2020) Briefing Paper 45 We're going to make them an offer they can refuse: Rules of origin and the UK - EU free trade agreement

further authorisation). In addition, many UK professional services providers must have their UK professional qualification recognised if they want to work in that profession in the EU, therefore their UK qualification must be recognised by the appropriate regulator in each country that they intend to work.[10]

Summary

The Trade and Cooperation agreement is wide ranging in its provisions and therefore its effects will not be felt equally by individual firms. In many cases these effects will not be in evidence yet as companies adjust their exporting behaviours to new provisions and a new competitive environment. As such, it is important to be cautious in drawing strong conclusions based on current data which should instead be viewed as part of an emerging picture.

3.2 Examining the impact in data

Whilst the signing of the Trade and Cooperation Agreement provided a degree of certainty to businesses about their future relationship with the EU, it also created disruption for exporting businesses. The new arrangements outlined new rules in relation to rules of origin, customs procedures and product regulation which had to be absorbed into existing business practices.

As previously described, some official data has been produced on the impact of the changes at a Greater Manchester scale, however this does not cover the period after January 2021. Also, this data is aggregated so that only broad sectoral trends can be identified. As such, work was undertaken to explore whether data was available that could provide greater detail on changes in exporting habits amongst Greater Manchester firms following the introduction of the TCA.

Attention was focused on UK trade data provided by HM Revenue and Customs through the UK Trade Info portal for two reasons:

- It provides relatively contemporaneous data on export activity

[10] Dept for International Trade (June 2021) : Selling services to the EU, Switzerland, Norway, Iceland and Liechtenstein. Guidance for UK businesses on rules for selling services.

- It provides detail on exports of goods at an individual firm level allowing for more detailed analysis of trends

This analysis was undertaken in spring 2022 with data gathered up to and including December 2021. The work was initially designed to assess:

- How easily the data could be accessed and manipulated
- What insight the data could provide on export activity amongst GM firms
- How the data could help in understanding changes in activity.

Methodology

Data was collected from the UK Trade Info's exports dataset, accessed using their Application Programming Interface (API). The dataset provides data on individual exporting firms and is collected at the point of export. The information recorded in the data includes:

- Trader: every Trader is recorded in this dataset with a unique ID. Each Trader is permitted to export via an Economic Operators Registration and Identification (EORI) number. Trader information also included Company Name and Company Address (including Postcode)
- Date: The month in which the export took place is recorded (e.g. Jan 2019, Feb 2019)
- Commodity: Each commodity exported is recorded separately. A number of commodity codes are provided:
    - Harmonised System (HS) codes, which are internationally recognized specifications for exported goods. These are provided at a 2-digit, 4-digit and 6-digit level of detail[11].
    - Combined Nomenclature (CN) codes, used by the European Commission as a standardized specification for exported goods. This

[11] For example, Hs2 detail would show 10 (Cereals), Hs4 would show 10.06 (Rice), Hs6 would show 1006.30 (Semi-milled or wholly milled rice, whether or not polished or glazed).

provides a further level of detail to the HS codes by providing an 8 digit code[12].

The dataset does not include:

- The destination of the export
- How much or many of a particular commodity was exported
- The monetary value of the export

The export dataset is therefore able to indicate:

- What was exported
- When (to the month) a commodity was exported
- Which firm was exporting the commodity

Data collection and processing

Data was collected using an R script that connected to UK Trade Info's API, with the following filters applied:

- Month ID greater than or equal to 01/01/2019
- Month ID less than or equal to 01/12/2021
- Trader Postcode beginning with one of: M, OL, BL, WN, WA, SK (postcode prefixes that cover Greater Manchester)

The dataset was then joined to a file listing GM postcode data, in order to remove traders outside Greater Manchester (e.g. areas of Cheshire with an SK postcode).

To allow for a deadweight comparison to be undertaken, this R script was also run with altered date parameters to create a comparator dataset. The following filters were applied to the data:

- Month ID greater than or equal to 01/01/2016

[12] Building on the previous example, 100630.21 is parboiled, semi-milled medium-grain rice, whether or not polished or glazed

- Month ID less than or equal to 01/12/2018
- Trader Postcode beginning with one of: M, OL, BL, WN, WA, SK

Trader identification

The downloaded data included 5,138 unique traders. To obtain further information on these firms, this list was uploaded into Bureau Van Dijk's Fame database using the Batch Search feature. This attempted to match each Company Name with a company within the Companies House database. 4,772 (93%) of the traders in the dataset were successfully matched. The primary reasons for traders not matching a record were:

- Individuals who were listed as traders
- Foreign companies not registered with Companies House[13]
- Administrative errors such as misspellings that meant a clear match was not able to be identified

Undertaking this exercise meant that further data could be extracted. Key data added included:

- Standard Industrial Classification 2007 (SIC) Codes
- Number of Employees
- Date of incorporation

Data limitations

In January 2021, data collection for the UK Trade Info Export dataset was significantly altered by the implementation of the Trade & Cooperation Agreement with the European Union. Previously, EU exports were recorded using Intrastat and therefore were not included within UK Trade Info's Exports dataset. The table below summarises the data available from UK Trade Info before and after the implementation of the TCA:

[13] This included a number of LLCs (US) GMBHs (Europe) and Chinese Youxiangongsi (Limited Company Corporations)

Figure 7: Data available from UK Trade Info

Type of Trader	Pre-TCA Data	Post-TCA Data
Exporters to Non-EU Countries	✓	✓
Exporters to EU and Non-EU Counties	✓	✓
Exporters to EU Countries (Pre-2021)		
Exporters to EU Countries (Post-2021)		✓
Exporters to EU Countries (Pre and Post-2021)		✓

This presents a challenge in analysing the dataset – it lacks data on EU exporting prior to January 2021. This is partially addressed under 'Categorising Exporters' below, however, it should be noted that a weakness remains. Where firms only exported to the EU prior to 2021 and then ceased exports entirely, they would not occur in any of the data analysed. There is not currently a method for estimating the volume of firms that may fall into this category.

Categorising exporters

In order to begin comparing how exporting behaviour had changed over the period, it was necessary to assign firms to categories showing the years in which they had exported. Within the three years of data, there were seven groupings as shown in the table below with the number of firms for each:

Figure 8: GM Goods Exporter Categorisation

Years Exporting	Trader Count (%)
2019 only	513 (10.0%)
2019 & 2020	214 (4.2%)
2020 only	284 (5.5%)
2020 & 2021	364 (7.1%)
2021 only	1,537 (29.9%)
2019 & 2021	283 (5.5%)
2019, 2020 & 2021	1,943 (37.8%)
Total	5,138

An additional consideration here was how to treat the 1,537 traders that appeared for the first time in the dataset following January 2021. Rather than being truly 'new' exporters, some of these may be companies that had previously only exported to the EU and therefore only began to appear in the data for the first time when EU exports

were included from January 2021 onwards. In order to address this, work was undertaken to use date of incorporation to estimate whether these firms were likely to be genuinely new exporters (i.e. firms who had exported for the first time in the period post Jan 2021), or whether they were established exporters that had appeared in the data for the first time due to changes in reporting.

It was possible to identify a date of Incorporation for 1,406 (91.5%) of these 'new' exporters as summarised below:

Figure 9: GM Exporters by year of incorporation

Year of Incorporation	**Number of Traders (%)**
2021	20 (1.4%)
2020	86 (6.1%)
2015-2019	381 (27.1%)
2010-2014	243 (17.3%)
2000-2009	306 (21.8%)
Pre-2000	367 (26.1%)
Blank	3 (0.2%)
TOTAL	1,406 (100%)

An assumption was made that firms incorporated in 2014 or earlier but only occurring in the data for the first time after January 2021 were likely to have been exporting to the EU for an extended period. As such, these 916 firms were assumed to be established rather than new exporters. The 487 firms incorporated from 2015 onwards were assumed to be genuinely new exporters. The 134 Traders with No Date of Incorporation were also assumed to be new exporters. With this assumption, the cohorts being considered were:

Figure 10: GM Exporter Groupings

Cohort	**Groupings**
Lapsed Exporters	2019 only
	2019 & 2020
	2020
Post-TCA Exporters	2021 only (Estimated new Exporters)
Consistent Exporters	2019 & 2021
	2020 & 2021
	2019, 2020 & 2021
	2021 only (Estimated established EU Exporters)

Findings

The key analytical question to explore with the data was how many firms appear to have stopped exporting in the period following the implementation of the TCA. In the two years before the initiation of the TCA, 4,517 Traders had exported goods in GM. Of these, 1,011 (23%) did not export in the twelve months following the TCA (i.e. January to December 2021). The remaining 3,506[14] firms exported both prior to and following the introduction of the TCA.

In order to contextualise this finding and help establish whether the change in the data was as a result of the TCA or was the normal pattern in data of this kind, work was undertaken to examine a comparator period. The number of GM firms exporting was compared in the 24 months between January 2016 and December 2017 to the twelve months between January and December 2018.

This showed that 1,117 traders that had exported in the initial 24 months did not do so in the subsequent twelve months (34%). Therefore, the percentage of firms who did not export in the twelve months following the introduction of the TCA did not exceed the percentage that stopped in the comparator period (23%).

A further issue to consider was the pace at which new exporters were entering the market following the introduction of the TCA. 621 new exporters were identified during the analysis who exported for first time in 2021. This was equivalent to 61% of the firms that had withdrawn following the TCA.

In the comparator time period, the equivalent figure was 51%. This suggests that following the TCA firms were beginning to export for the first time in volumes broadly similar to those in the comparator period.

Repeat exporters

In order to gain a more detailed understanding of the 1,011 firms that had stopped exporting following the TCA, analysis was undertaken of repeat exporters. Repeat

[14] As shown above, this includes an estimated cohort of EU traders due to administrative changes. The figure of 3,506 is from 2,590 Consistent Traders in the dataset that are present between 2019 and 2021, and 916 traders who only appear in 2021, but are estimated to have been trading with the EU prior to the TCA.

exporters, in this analysis, are defined as traders who exported in more than one month.

The number of repeat traders in each of the cohorts is shown overleaf:

Figure 11: Lapsed and Repeat Exporters in GM

	Lapsed Exporters	**Post-TCA Exporters**	**Consistent Exporters**
Total Exporters	1,011	621	3,506
Repeat Exporters	438	253	3,506
% Repeat Exporters	43.3%	40.7%	100.0%

Of the 1,011 firms that had stopped exporting following the TCA, 438 had previously been repeat exporters. This represents a loss of 11% of repeat exporters. This is a lower number and proportion than in the comparator period (540, 18.6%), which suggests repeat exporters were more likely to continue exporting following the TCA than in the comparator period.

Trader makeup

The sectoral makeup of those who were exporting before the TCA and have subsequently stopped can be compared to those that continued – the key sectors (those with >40 in the Prior Exporters cohort) are shown below:

Figure 12: GM Exporter's Industrial Classification

SIC Section	**Lapsed Exporters (%)**	**Consistent Exporters (%)**
C – Manufacturing	179 (17.7%)	1191 (34.0%)
G – Wholesale & Retail Trade; Repaid of Motor Vehicles & Motorcycles	383 (37.9%)	1268 (36.2%)
H – Transportation & Storage	43 (4.3%)	98 (2.8%)
J – Information & Communication	50 (4.9%)	141 (4.0%)
M – Professional, Scientific & Technical Activities	75 (7.4%)	175 (5.0%)
N – Administrative & Support Service Activities	59 (5.8%)	199 (5.7%)
No match in Fame, no SIC Sector attached to record	109 (10.8%)	180 (5.1%)

There is a slight over representation in the Lapsed Exporters among Transportation & Storage, as well as Professional, Scientific and Technical Activities. Conversely, the Manufacturing industry shows a much lower proportion in the Lapsed Exporters, indicating that firms in this sector were less likely to stop exporting.

The two cohorts also show some small differences in employee size:

Figure 13: GM Exporters by company size

Company Size	Lapsed Exporters (%)	Consistent Exporters (%)
Micro (<10)	462 (45.7%)	1298 (37.0%)
Small (10-49)	193 (19.1%)	1,169 (33.3%)
Medium (50-249)	63 (6.2%)	505 (14.4%)
Large (250+)	25 (2.5%)	148 (4.2%)
No match in Fame, no employee size attached to record	268 (26.5%)	386 (11.0%)

The businesses who have not exported since the TCA came into effect tend to be smaller in size than those that continued to export. In particular, there are less than half the proportion of large and medium firms, and substantially more micro firms.

Export intensity

Two measures of export intensity were analysed: the volume of consignments a cohort was exporting each month, and how many consignments each trader was exporting across 2019-2021

Figure 14: Export Intensity in GM

	Lapsed Exporters	Consistent Exporters
Total Traders	1,011	3,506
Total Exports	2,667	154,025
Total Months	24	36
Exports per Month	111.1	4,278.5
Exports per Trader	2.6	43.9

It is notable that the vast majority of exports are undertaken by Consistent Exporters. This group export more in each month, and more per trader, by a substantial margin.

Further data and insights

The data explored as part of this research provides a new insight into companies exporting goods from Greater Manchester. For the first time, the data allows analysis at a company level which provides a range of opportunities for further research. While these have not yet been explored fully, initial work is provided in Annex 3 to examine at a high level the nature of GM's goods exporting companies. Some early insights from the work include:

- Company size: exporting is much more prevalent in larger businesses in GM.
- Industrial specification: Further specificity of exporters is identified by using the first two or three digits of a business' SIC code. At this more granular level of industrial classification, there are clear groupings among both Retail and Wholesale, and Manufacturing firms.
- Geographical distribution: The distribution of exporting traders is primarily concentrated among urban centres, particularly Manchester City Centre

Conclusions

In the period prior to the pandemic, GM exports of both goods and service grew more slowly than the UK average by a substantial margin. Given the strong association between exporting and productivity, this was likely to be having a negative impact on GM's productivity growth relative to the UK. Greater Manchester's export performance relative to its GVA also suggests there is the potential for further exporting activity amongst GM's firms. Greater Manchester was the 17th largest exporter of goods and ninth largest exporter of services in the UK out of all International Territorial Level 2 regions in 2020. GM ranks sixth amongst the 41 ITL2 areas for its contribution to GVA.

Due to the long-term stability of many international trading relationships, it is likely that the full effects of EU exit and the implementation of the TCA have not yet been fully realised. A recent survey[15] of GM businesses found the cost and complexity of exporting (including both tariff and non-tariff hurdles) has increased for many businesses. This is accompanied by continued uncertainty about the ultimate cost of exports and reports of additional difficulties in trading through UK and international ports.

The data also shows the significant role that EU trade plays for GM firms - in the most recent data GM's goods and services exports were more reliant on the EU than the UK average. Where a UK business has a pre-existing trading relationship with an EU partner, it is possible that they may absorb additional costs in the short term whilst new exporting processes are embedded. However, this is likely to impact on the profitability of exporting firms and their competitiveness with EU based competitors.

It remains to be seen what the longer-term impact may be, however, the Resolution Foundation found in their report *Stagnation Nation* [16]that whilst there had not been the large, immediate decline in trade following the implementation of the TCA, the UK had suffered a decline in the 'openness and competitiveness' of its trading

[15] GM Chamber of Commerce (2022) International Trade Survey.

[16] Resolution Foundation (July 2022): Stagnation Nation: Navigating a route to a fairer and more prosperous Britain

relationships that they forecast by 2030 will lead to UK firms exporting 24% less than if the UK had retained EU membership.

It is important however to also note what can be learned from observable data. This shows there was not a large-scale departure of GM firms from export markets following the implementation of the TCA. There were not major differences in the patterns of GM exporters joining and leaving export markets in the 2019-2021 period compared to a comparator period (2016-2018). It was also found that new exporters are continuing to start exporting at a slightly greater rate than in the comparator period.

However, this should not underplay the impact on goods exports following the introduction of the TCA. The data does not allow for interrogation of the volume or value of exports and as such it is possible that whilst firms did not cease exporting in large numbers, exporting firms may have seen the value of their exports decrease and the costs of exporting rise. Given the uncertainties, export performance in GM will need close monitoring in the coming years to identify the extent of any changes in the nature and scale of exporting activity.

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Annex 1: Further Provisions of the UK-EU Trade and Cooperation Agreement

As the TCA is wide ranging its provisions encompass a wide range of trade issues. The changes that are likely to most affect exporters are examined in the main document, however other considerations that may affect exporting firms are considered here.

Transport and haulage

The TCA included provisions on maintaining transport connectivity. The agreement on aviation allows UK air carriers to make scheduled or unscheduled flights to EU countries, and vice versa. However, it does not allow UK air carriers to make journeys transporting people or cargo between two different EU Member States. The agreement on road transport allows the transport of goods by road hauliers between the UK and the EU, provided they have a valid operator's license and the driver has a Certificate of Professional Competence. UK road hauliers are also granted the right to make up to two additional laden journeys within the EU before returning (including one laden journey within a member state), allowing them to travel back to the UK loaded with goods.

The transport of goods or passengers between 2 places in the same country by a transport operator from another country for the purposes of hire and reward is called Cabotage. In October 2021, in response to driver shortages and supply chain issues, the UK legislated to allow an unlimited number of cabotage journeys for heavy goods vehicles for up to 14 days following entry to the UK. The extension lasted until April 2022.

'Level Playing Field'

Level playing field provisions underpin rules on fair competition i.e. a fair playing field. The provisions cover state aid and competition rules, labour and social protections, environmental measures and taxation policy. On state aid, the agreement sets out

principles for managing subsidies. While these principles largely reflect the previous case law that had applied to EU state aid measures, these new arrangements give greater flexibility over how these principles can be delivered. To enforce the agreement, there is a commitment to maintain an independent body to manage controls over subsidies and there is scope for formal dispute settlement through an arbitration tribunal.

On labour and environmental protections, the UK and EU have agreed to a non-regression clause which prevented either party from reducing or weakening levels of protection at the end of the transition period in a manor "affecting trade or investment" between the two parties. Therefore, to demonstrate a breach of the non-regression clause either party would have to show that any attempt to lower labour or environmental standards affects trade or investment, according to the IPPR this sets a very high bar for proof.

Level playing field provisions also included commitments on implementing a system of carbon pricing, implementing certain international agreements like the Paris Climate agreement and a 'rebalancing clause' to resolve any future divergences in legislation, for example if workers' rights in the UK do not keep pace with EU protections over time. This means that, were the UK to fall behind EU levels of labour and environmental protection and this affected investment or trade, the EU could take proportionate measures (including tariffs) in response.

Finally, there is an option for either side to request a review of level playing field provisions after a minimum of four years, if they consider that there have been repeated divergences and rebalancing measures or if a measure having material impact on trade or investment has been in place for 12 months.

[1] road-transport-cabotage-consultation-further-flexibilities-during-2022-for-foreign-hauliers.pdf (publishing.service.gov.uk)

Annex 2: Describing Greater Manchester's Goods Exporting Traders

The methodology designed to investigate the export activity of traders before and after the Trade and Co-operation Agreement also allows access to information about Greater Manchester's goods exporting traders. This allows the extraction of information about the industry and company size of businesses that export goods from the city region. This section provides details of the 4,127 traders that exported during the 2021 calendar year.

Company Size

The table below covers approximately 83% of the dataset, as 684 business (16.6%) were not able to be matched with additional company information. The available data demonstrates some clear differences in the size profile of exporters, when compared to the all businesses trading in GM[17]:

Figure 15: Size of GM exporters 2021

Company Size	2021 Exporters (% of Total)	GM Local Unit Count (%)
Micro (<10)	1,570 (38.0%)	105,035 (84.0%)
Small (10-49)	1,212 (29.4%)	15,840 (7.7%)
Medium (50-249)	5,11 (12.4%)	3,570 (2.9%)
Large (250+)	150 (3.6%)	560 (0.4%)

There is a clear indication that the business size of the exporter cohort is different to that of the GM business population. Within the cohort of traders who exported in 2021, there is a higher representation of larger firms, and a much smaller proportion of Micro Firms. There are also nine times as many large firms in the exporter cohort

[17] Sourced from the Interdepartmental Business Register (IDBR), via Nomis (UK Business Counts). The business count used is 'local units' which counts each workplace separately. This is because some of the businesses that are exporting from Greater Manchester are not based here. Counting 'local units' is therefore a closer comparator than 'enterprise units', which would only count businesses that are based in Greater Manchester.

than the GM business population. This indicates that export is much more prevalent in larger businesses in GM.

Industrial Classification

The exporter dataset includes Standard Industrial Classification (SIC) codes, which are used by businesses to indicate what sector they operate in. While the main report indicated trader makeup at the highest sectoral level, it is also possible to include further specificity by using the first two or three digits of a business' SIC code. To describe the makeup of Greater Manchester's exporting cohort in 2021, the table below shows industry groupings (at the 2-digit SIC code level) for which there are at least 50 traders in the data. This is then compared to the number of Greater Manchester businesses within this sector, to produce an estimation of the intensity of exporting for this industrial group[18].

Figure 16: GM Exporters by 2 digit SIC Code

Industry Group	Industry Sector	Exporting Trader Count	GM Local Unit Count	% Exporters in Industry Group
46: Wholesale trade; except of motor vehicles and motorcycles	G: Retail and Wholesale	945	6,960	13.6%
47: Retail trade; except of motor vehicles and motorcycles	G: Retail and Wholesale	452	15,320	3.0%
32: Other manufacturing	C: Manufacturing	194	365	50.3%
82: Office administrative; office support and other business support activities	N: Administrative & Support Service Activities	178	4,965	3.6%

[18] This figure is produced from dividing the Exporting Trader Count from the GM Local Unit Business Count. Due to having different sources, there are slight administrative differences between the two – businesses may be exporting from a GM address, but not necessarily registered within the area. As such, the % figure can be considered **indicative** of the intensity of export for an industry grouping, but not as a definitive figure of how many GM businesses are exporting within a specific industry.

25: Manufacture of fabricated metal products; except machinery and equipment	C: Manufacturing	163	1,115	14.6%
28: Manufacture of machinery and equipment n.e.c.	C: Manufacturing	136	355	38.3%
20: Manufacture of chemicals and chemical products	C: Manufacturing	110	240	45.8%
62: Computer programming; consultancy and related activities	M: Professional, Scientific & Technical Activities	103	4,850	2.1%
45: Wholesale and retail trade and repair of motor vehicles and motorcycles	G: Retail and Wholesale	98	3,605	2.7%
22: Manufacture of rubber and plastic products	C: Manufacturing	93	355	26.2%
13: Manufacture of textiles	C: Manufacturing	83	300	27.7%
26: Manufacture of computer; electronic and optical products	C: Manufacturing	69	240	28.8%
43: Specialised construction activities	F: Construction	69	7,980	0.9%
27: Manufacture of electrical equipment	C: Manufacturing	67	155	43.2%
33: Repair and installation of machinery and equipment	C: Manufacturing	67	585	11.5%
96: Other personal service activities	S: Other Service Activities	65	3,505	1.9%
74: Other professional; scientific and technical activities	M: Professional, Scientific & Technical Activities	63	2,850	2.2%

70: Activities of head offices; management consultancy activities	M: Professional, Scientific & Technical Activities	54	5,650	1.0%
71: Architectural and engineering activities; technical testing and analysis	M: Professional, Scientific & Technical Activities	54	3,775	1.4%
52: Warehousing and support activities for transportation	H: Transportation & Storage	53	1,220	4.3%
10: Manufacture of food products	C: Manufacturing	50	395	12.7%

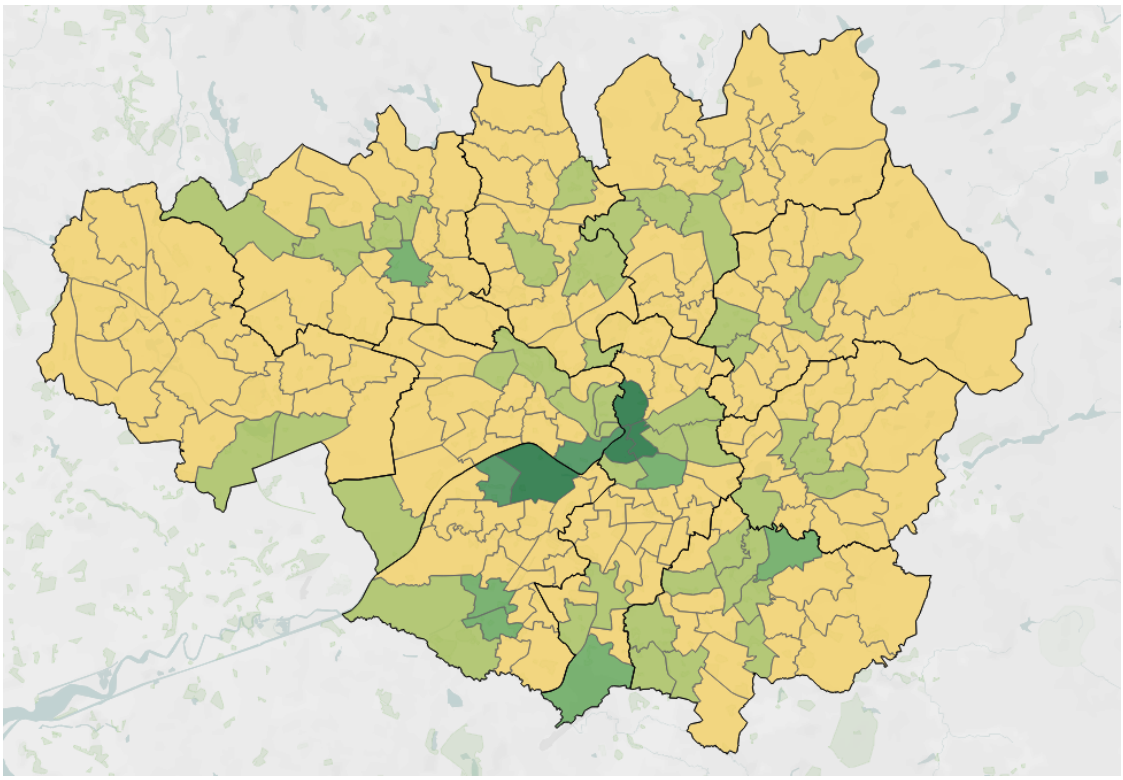
At this more granular level of industrial classification, there are clear groupings among both Retail and Wholesale, and Manufacturing firms. Among these are concentrations of businesses that manufacture chemicals and metal products whilst further research is required into the nature of goods exports from companies providing computer-related services, as typically it would be expected that these firms would primarily export services rather than goods.

Within these groups, there are some frequent SIC groupings at a more granular level. 333 exporting traders operate in the Wholesale of Household Goods group (code 464), while 78 exporting traders operate in the Manufacture of Plastic Products group (code 222) – this is one of the most frequent groupings that does not refer to an ‘other’ category.

Geographical Distribution

The exporting traders cohort is spread across the city region, with some marked concentrations. A distribution of exporting traders at a ward level is shown in the map overleaf:

Figure 17: Geographic distribution of GM exporters



Map Colour	Exporters in Ward	Number of Wards
	1-30	160
	31-60	42
	61-90	6
	91-120	2
	121+	4

The distribution of exporting traders is primarily concentrated among urban centres, particularly Manchester City Centre. There are 6 wards with a particularly intense concentration of exporters (more than 100), which are shown below:

Ward Name	Count of Exporting Traders
Manchester: Cheetham	221
Manchester: Piccadilly	179
Trafford: Gorse Hill	142
Manchester: Deansgate	121
Salford: Ordsall	108
Trafford: Davyhulme East	105