

The UK's balance of payments

In 2019 the UK ran a trade deficit with the EU and a trade surplus with the rest of the world. The deficit in goods traded with the EU was particularly large, at £96.7bn. This large trade deficit has been going for many years during our membership. A trade partner like the US shows we are competitive on World Trade terms where we ran a surplus in goods as well as total trade. The US is our largest single export market, accounting for two thirds more export value than Germany, our largest market in Europe.

Our trade deficit in food is particularly large with the EU where they enjoy tariff free access to the UK whilst the rest of the world faces some high tariffs on some important items. UK farming has suffered a loss of market share during our time in the EU.

These large goods deficits need paying for, as they are debts incurred in a foreign currency. The UK has been selling off foreign assets to pay the bills. In 2019 the UK sold £165bn of foreign assets. We now run a deficit on investment income, as we have to pay a lot more interest and dividend out to foreign owners of UK assets than we receive on overseas assets owned by UK residents. The UK now has a net liability of £579 billion on investment account, following years of large trade deficits.

This is why it will be good to regain control of our trade policy, and set out tariffs that make more sense for the UK . We need, for example, to help our consumers by taking tariffs off items we cannot grow or make for ourselves, and take tariffs off intermediate and raw materials needed for added value manufacture at home. We need to regain market share in areas like food to reduce the deficit. Being part of the EU single market, fishing and food policy has been bad for the U.K. economy.