

Franco-British Economic Relations Barometer

**2022 : a year of exceptional recovery
in Franco-British trade**

6th Edition
Published in June 2023



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Foreword

Exceptional recovery in Franco-British trade

In 2022, **Franco-British trade rebounded by 42% to reach € 111 billion**, an exceptional performance which saw imports and exports in goods and services back above 2019 levels in nominal terms. Several exceptional factors underly this achievement. The last 2-3 years have seen high levels of volatility due to the impact of the Covid-19 pandemic and recovery, the energy crisis, Russia's war in Ukraine, and inflation. Changes in the way that trade in goods is recorded since the implementation of the UK-EU TCA also makes year-on-year comparison challenging. For all these reasons, to build a picture of the underlying performance, this report provides comparisons with 2019, on a nominal non-adjusted basis.

What do the figures show us?

Compared to 2019, **bilateral trade in goods and services increased by 13%**, with exports from France of € 60 bn (+14%) showing slightly stronger growth than imports from the UK of € 51 bn (+11%). France continues to lead the way in terms of goods exports (€ 42 bn), whilst the UK has extended its leadership in services exports (€ 21 bn). The overall balance of trade is a French surplus of € 9 bn (€ 7 bn in 2019).

Overall **trade in goods was up 12% compared to 2019**, with growth across all sectors except miscellaneous manufacturing. At € 25 bn, machinery and transport equipment is largest sector of trade in goods, with French exports overtaking UK imports between 2022 and 2019. For the energy sector, imports from the UK were multiplied by 3.5 to € 5.2 bn (see analysis page 18).

Trade in services was 13% above the 2019 pre-pandemic level, with business services up 23%, financial services up 25% and telecommunications and technology services up 60%. Transportation and tourism services were the only sectors which did not fully recover to pre-covid levels.

Foreword

2023: Franco-British entente renewed

Looking at the year ahead, the Windsor Framework signed between the European Commission and the UK Government paves the way for improving trade relations. The Franco-British summit, held in Paris on 10th March 2023, provides a new sense of optimism and commitment on both sides of the Channel to promote cooperation particularly in the fields of energy, security, and mobility. Despite economic headwinds, recently published trade figures for the first quarter of 2023 show continued growth, up 18% compared to Q1 2022.

2023 also marks the 150th anniversary of the Franco-British Chamber, the oldest British Chamber of Commerce in Europe and the oldest 'foreign' Chamber of Commerce in France. As we celebrate this historic occasion, we are reminded that in the face of challenges, the Chamber has proven a remarkably dynamic organisation, uniting and assisting the Franco-British business community.

Françoise RAUSCH
Chairwoman
Cross-Channel Institute

The Barometer is a publication of the Cross Channel Institute, the think tank of the Franco British Chamber.

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The views and interpretations as well as the methodology used in this report are exclusively and solely those of the Franco British Chamber.

Notes and references:

1. The data source used for this economic barometer of Franco-British trade is the UK **Office for National Statistics**: ons.gov.uk
 - [Services](#)
 - [Goods Exports](#)
 - [Goods Imports](#)
 - [UK Total Trade](#)
2. **All figures are reported in current prices** (not adjusted for inflation), unless otherwise stated.
3. **Annual percentage change is calculated on a nominal basis** and non-seasonally adjusted. The same applies to percentage change compared to 2019.
4. As this report is presented to a predominantly French audience, the methodology adopted converts UK trade data from pounds sterling (£) to euros (€) using the **average annual exchange rate for the year** as published by the European Central Bank (ECB). As AERs vary annually, and original ONS data is published in pounds sterling, it is challenging to produce year-on-year comparisons in euros.
5. The ranking of [UK total trade partners](#) (page 20) and the [Quarterly trade in goods data](#) (page 21) is published and presented in pounds sterling (£)

AER	2019	2020	2021	2022
EUR1 = GBP	0.87777	0.8897	0.8596	0.85276

6. **Important: Trade statistics have seen high levels of volatility in the last 2-3 years** due to the impact of the Covid-19 pandemic, global recession, supply chain disruptions, EU exit, Russia's invasion of Ukraine, and inflation. **It is challenging to disentangle the driving factors but we can make the following observations:**
 - The UK and French Government's response to the Covid-19 pandemic, which included national lockdowns, had a major impact on UK-French trade data in 2020 and 2021. As both governments eased restrictions, companies were able to resume trade and business exchanges more easily across the Channel. Year-on-year comparisons should be viewed within this context.
 - Economic recovery drove increased demand for energy, leading to a steep rise in energy prices during 2021. Russia's invasion of Ukraine in February 2022, greatly exacerbated the situation. The imposition of sanctions against Russia has meant that Europe and the UK had to seek out alternative sources of energy at a time of constrained supply. Energy prices reached all-time highs in 2022. This is reviewed in greater detail on page 18.
 - High energy prices are one of the main reasons for high inflation. In the UK, the rate of inflation stood at 10.5% at the end of December 2022, having been above 10% since the summer. The Bank of England expects inflation to fall to around 4% by the end of the year. In France, the rate of inflation reached 5.9% on average in 2022. It is expected to fall to 3.8% by the end of 2023.

Notes (2):

7. Changes in the way that trade in goods is recorded:

- Since the implementation of the UK-EU Trade and Cooperation Agreement (TCA) the methodology used for recording trade has changed. When the UK was a member of the EU, trade in goods with the rest of the EU was estimated using the Intrastat Survey completed by VAT registered UK businesses that imported and exported goods. Small traders, non-VAT registered businesses and parcel post were excluded.
- From January 2021, data collected on goods exports from GB to the EU moved from the Intrastat Survey to HMRC customs declarations, and from January 2022, data on GB imports from the EU moved to customs declarations. Northern Irish trade with the EU remains on the Intrastat Survey. The new collection method led to an increase in the value of goods exports to the EU in 2021, and then an increase in the value of goods imports in 2022.
- In addition, when the new requirement for customs declarations was introduced for imports to GB from the EU in January 2021, a new policy of staged customs controls was implemented, which allowed importers to delay their customs declarations up to 175 days from the date the goods entered the country in 2021. It is possible that some double counting of goods imports from the EU occurred as a result; with imports in the second half of 2021 recorded via the Intrastat Survey, then again on customs declarations in the first half of 2022.
- **As such, caution is needed when interpreting these data sources.**

8. The following data was published in the previous edition of the Franco-British economic relations barometer of 2021:

In € billions	2018	2019	2020	2021
Imports from the UK to France	47	49	35	37
Exports from France to the UK	50	54	39	39
Total trade	96	103 +7%	75 -28%	76 + 2%

9. ONS data published in May 2023, converted to € using average annual exchange rates and used for the 2022 barometer are as follows:

In € billions	2018	2019	2020	2021
Imports from the UK to France	45	46	36	38
Exports from France to the UK	51	53	40	40
Total trade	96	98 +3%	76 -23%	78 +3%

Notes (3):

10. Trade definitions:

- **UK imports** – Goods and services that were produced or sourced in the UK, which were sold to France (from the UK to France)
- **France exports** – Goods and services that were sold to the UK, which were produced or sourced in France (from France to the UK)
- **Total or 'bilateral' trade** – The value of total trade between France and the UK (imports plus exports)
- **Trade balance** – the difference between exports and imports, calculated by France exports minus UK imports.
- **Trade surplus** – the amount by which the value of a country's exports exceeds the value of its imports.
- **Trade deficit** – the amount by which the value of a country's imports exceeds the value of its exports.
- Statistics are given on a balance of payments (change of ownership) basis.

2022 **a year of exceptional recovery in Franco-British trade**



Bilateral trade



€111

Billion in 2022

of goods and services were traded between France and the UK in 2022 – which is the highest level of trade since 2019 and a nominal increase of 42% compared to 2021.

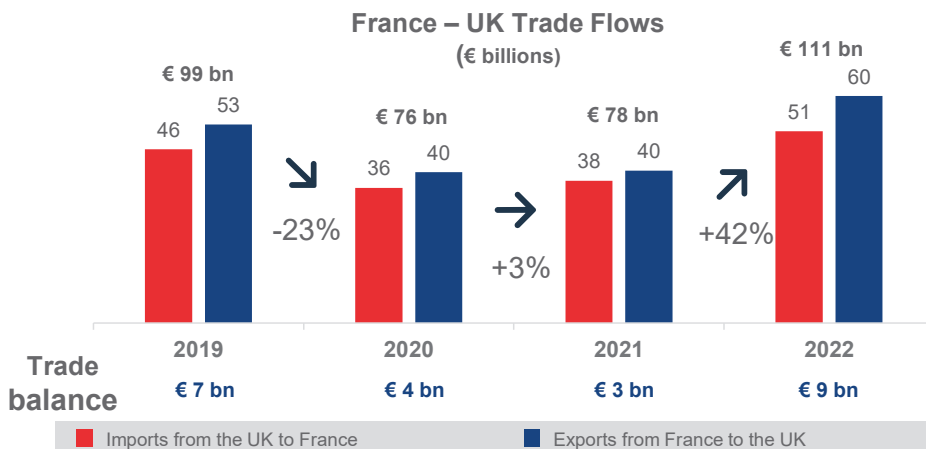


Imports from UK to France in 2022 (+35%)



Exports from France to UK in 2022 (+49%)

In 2022, bilateral trade recovered to its pre-covid growth trajectory, up 13% compared to 2019, illustrating the strength of the historical trading relationship. With exports from France showing stronger growth than imports from the UK, the French trade surplus increased to € 9 bn.



2022 Exchange of Goods and Services



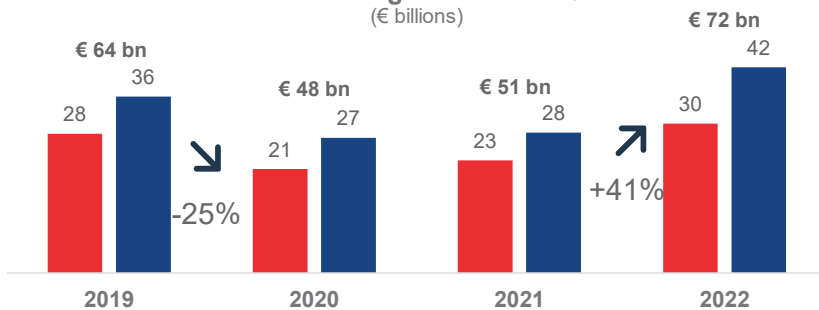
Goods



Services

Exchange of Goods

(€ billions)



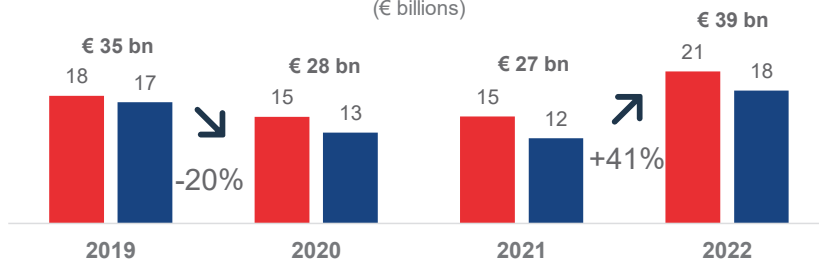
■ Imports from the UK to France

■ Exports from France to the UK

France continues to have a trade in goods surplus with the UK (up 16% versus 2019), whilst the UK has extended its surplus in trade in services (up 10% versus 2019).

Exchange of Services

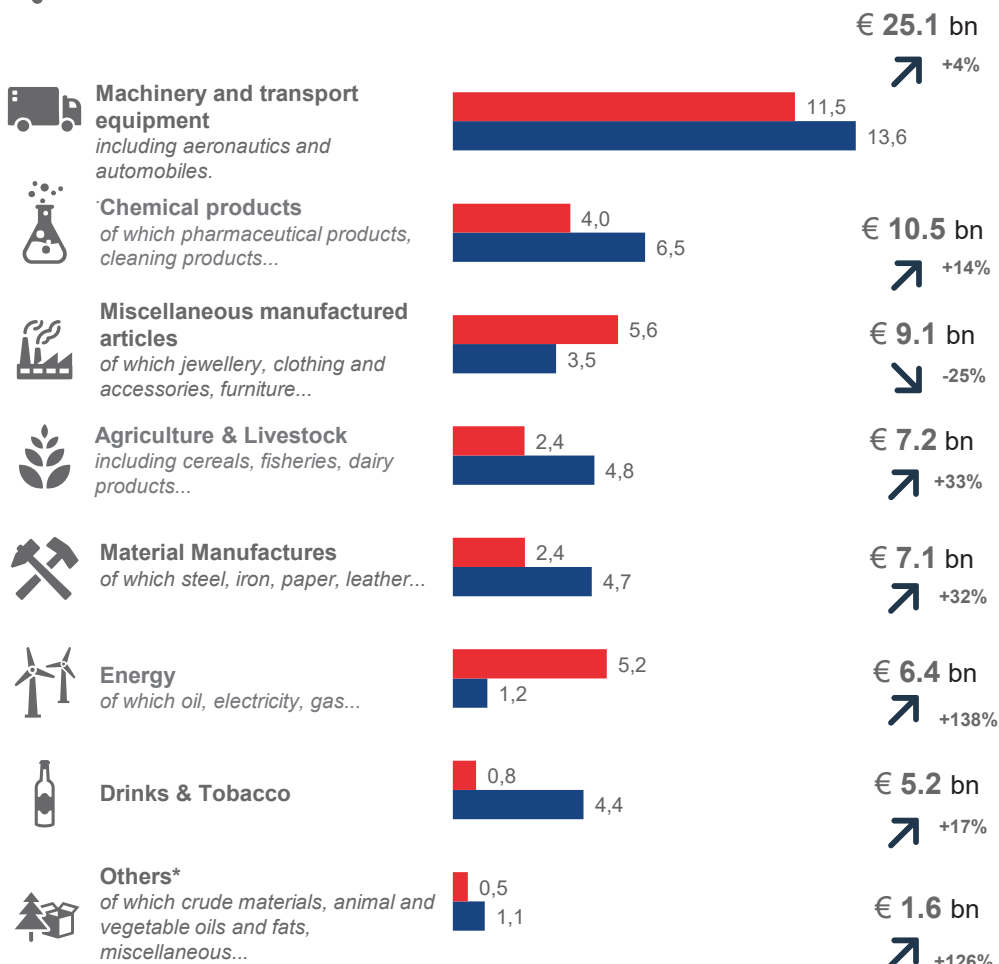
(€ billions)



■ Imports from the UK to France

■ Exports from France to the UK

2022: main sectors of trade in *goods*



Change from 2019

■ Exports from France to the UK

■ Imports from the UK to France

€72 bn

Trade in
goods
in 2022



+ 12%
versus
2019

2022 saw overall trade of goods up 12% compared to 2019 with growth across all sectors except miscellaneous manufactured articles, which declined by 25%. Machinery and transport equipment remains the most important sector for bilateral trade, up 49% in 2022 to reach € 25.1 bn, 4% above the 2019 level.

Evolution of trade in *goods* in 2019 and 2022

(in € billions)

Imports from the UK to France

2019
2022

Exports from France to the UK

2019
2022



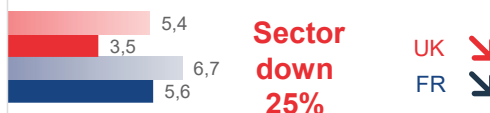
Machinery & Transport Equipment



Chemical & Pharmaceutical Products



Miscellaneous Manufactures



Foods & Livestock



Material Manufactures



Energy



Beverages & Tobacco



Comparing the evolution in trade by sector in 2019 and 2022 highlights some of the underlying challenges for Franco-British trade. France saw a strong recovery above 2019 levels in virtually all sectors, with exports of machinery and transport equipment up €1.8 bn to € 13.6 bn and material manufactures up €1.7 bn to € 4.7bn. The temporary stoppages of France's nuclear power plant during the summer of 2022 together with the sharp rise in energy prices explains the strong growth in Energy imports from the UK which more than tripled versus 2019.

2022: main sectors of trade in services



Business services

Including management consulting, legal services, accounting, advertising, R&D, etc.

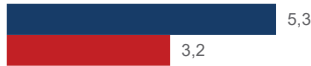


€ 11.2 bn +23%



Travel and tourism

Including business travel and tourism



€ 8.5 bn -9%



Financial services



€ 6.7 bn +25%



Technology

Including telecommunications and computer services



€ 4.0 bn +60%



Transport services

Maritime, air or rail



€ 2.8 bn -23%



Intellectual property



€ 2.1 bn +34%



Pensions and insurance

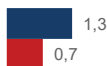


€ 1.4 bn +33%



Miscellaneous

Including manufacturing, maintenance & repair, construction, personal & recreational, and government services.



€ 2.0 bn +12%



Change from 2019



Exports from France to the UK



Imports from the UK to France

€39 bn
Trade in
services
in 2022



+ 13%
versus
2019

The UK maintained its lead in services exports in 2022. With the exception of transportation and tourism, trade in all services sectors was above the 2019 pre-pandemic level, with notably strong increases in business, technology and financial services.

Evolution of trade in services in 2019 and 2022

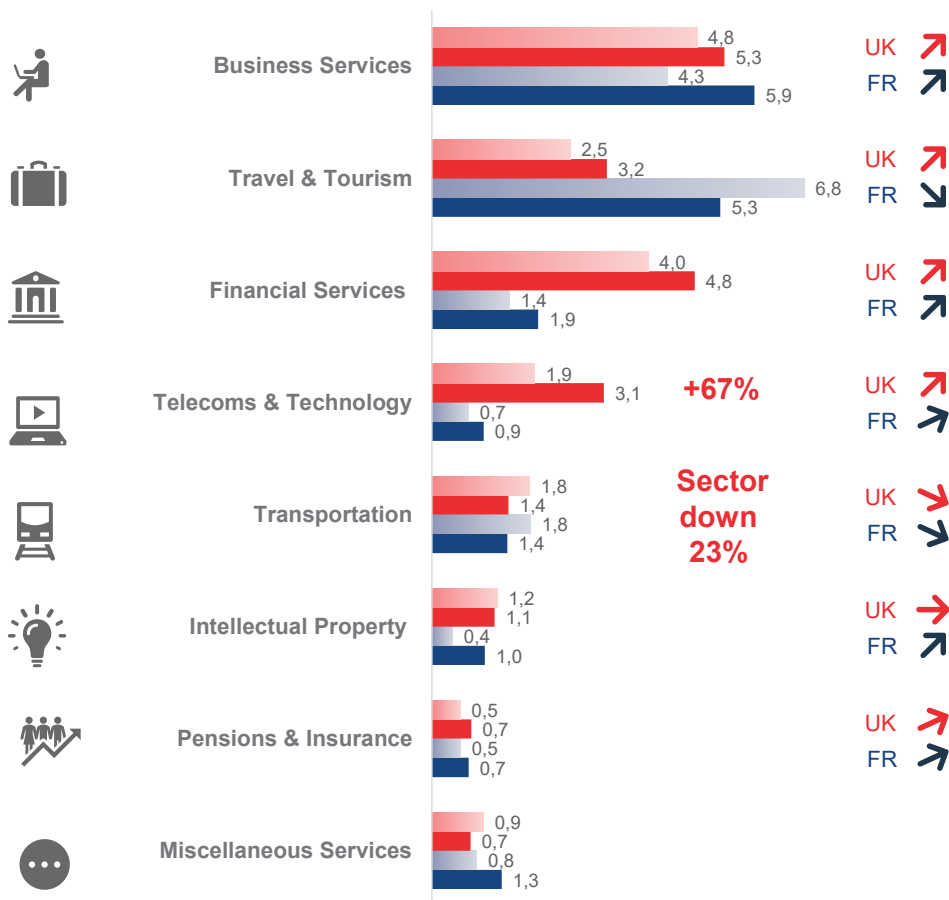
(in € billions)

Imports from the UK to France

2019
2022

Exports from France to the UK

2019
2022



Telecoms and technology services have seen very strong growth since 2019 as the demand for remote working and acceleration in the deployment of 5G drove UK imports of telecoms and technology services to France up 67% over the period to € 3.1 bn. Travel and tourism saw a strong year-on-year recovery in 2022 as Covid-19 related travel restrictions were lifted, but while UK tourism rose 22% above 2019 levels, it remained 24% below pre-pandemic levels in France. Transportation services from France and the UK remain 23% below 2019 levels.

Sectors in surplus for France

1 – Drinks and tobacco: € 5.2 bn

Imports: € 0.8 bn  +15%

Exports: € 4.4 bn  +17%

Surplus: € 3.6 bn  +18%

Apart from a slight dip in 2020, this sector has seen constant and uninterrupted increase in trade over the last five years. France is the leading exporter of beverages to the UK, making up 32% of the market. The country is also the second largest importer of beverages from the UK.



2 – Chemicals and pharmaceuticals: € 10.4 bn

Imports: € 4.0 bn  +12%

Exports: € 6.5 bn  +15%

Surplus: € 2.5 bn  +21%

Strong growth in both imports and exports reversed the downward trend seen since 2019, increasing France's trade surplus to € 2.5 bn. Overall trade in this sector was up 14% on a nominal basis compared to 2019.



3 – Travel and tourism: € 8.5 bn

Imports: € 3.2 bn  +27%

Exports: € 5.3 bn  -22%

Surplus: € 2.1 bn  -51%

Travel and tourism saw strong recovery in 2022 with both business and personal travel from the UK to France back above pre-Covid levels. Travel from France to the UK more than tripled in 2022 but remains below 2019 levels, leaving potential for further growth.



4 – Machinery and transport equipment: € 25.1 bn

Imports: € 11.5 bn  -7%

Exports: € 13.6 bn  +15%

Surplus: € 2.1 bn  N/R

Machinery and transport equipment is the largest trading sector, making up 23% of total Franco-British trade. Historically, this sector generates a surplus for the UK, and whilst imports from the UK saw a strong increase in 2022, exports from France almost doubled to €13.6 bn, creating a French surplus.



 Change from 2019 **Imports** from the UK to France **Exports** from France to the UK



Focus on a sub-sector: Agriculture and livestock

Bilateral trade rose by a third compared to 2019, reaching € 7.2 bn. This reflects inflationary pressures due to supply chain challenges, increasing input costs, most notably for energy and transport, as well as labour shortages which weighed heavily on the sector. Agricultural exports from France increased more than imports from the UK, generating a French trade surplus of € 2.3 bn.

Sectors in *surplus* for the UK

N.B. On this page, Imports and Exports are viewed from the UK perspective.

1 – Energy and Fuels: € 6.3 bn



Three key factors drove the strong growth in trade for this segment: i) higher energy demand following the post-Covid economic recovery, ii) much higher prices due to constrained supply including international sanctions against Russia and iii) reduced imports of nuclear electricity from France. See analysis page 18.

Imports : € 1.2 bn  +3%

Exports : € 5.2 bn  +237%

Surplus : € 4.0 bn  N/C

2 – Financial services: € 6.7 bn



Financial services are a traditional and major surplus sector for the UK. In 2022, exports to France recovered strongly, 21% above the level in 2019 (on a nominal basis) generating a trade surplus of € 2.9 bn. (+13%).

Imports : € 1.9 bn  +37%

Exports : € 4.8 bn  +21%

Surplus : € 2.9 bn  +13%

3 – Technology and telecommunications: € 4.1 bn



This sector continued to see a strong increase in activity in 2022, no doubt helped by the rise of teleworking since 2020. France is the second largest European market after Germany for UK technology and communications services generating a trade surplus of € 2.2 bn.

Imports : € 0.9 bn  +41%

Exports : € 3.1 bn  +67%

Surplus : € 2.2 bn  +82%

4 – Intellectual Property: € 2.1 bn



In 2022, imports of IP services from France almost tripled compared to 2019, whilst UK exports, which dropped to around € 750 m in 2020-21, recovered close to 2019 levels. The surplus has more than halved compared to 2019.

Imports : € 1.0 bn  x3

Exports : € 1.2 bn  -4%

Surplus : € 0.2 bn  -78%

 Change from 2019 **Imports from France** to the UK **Exports from the UK** to France



Focus on a sub-sector: Business Services

Generating € 11.2 bn of bilateral trade in 2022, the Business Services segment, which includes management consulting, technical and trade related services, is the largest services segment for Franco-British trade. Imports and exports from both partners are at a similar level, the balance of trade alternating from one year to another. In 2022, France had a trade surplus of € 0.5 bn, whereas in 2019 the surplus was for the UK.

Focus on Energy



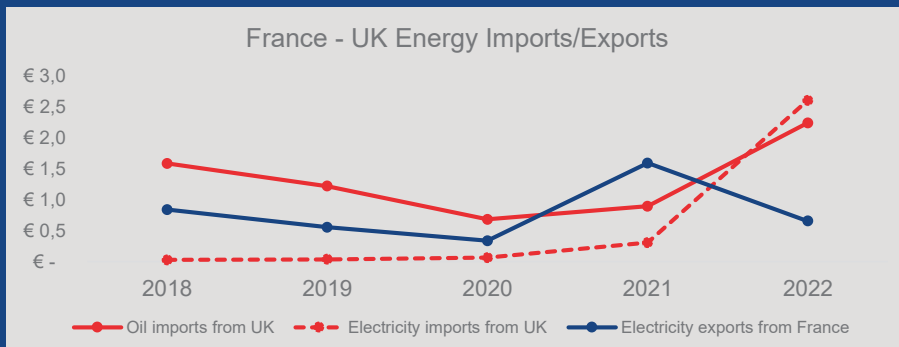
Traditionally, the UK has been an exporter of oil and gas to France, thanks to its North Sea reserves, whilst France is a leading European exporter of electricity thanks to its stable baseload of low carbon energy generated by its large parc of nuclear reactors.

Since 2019, bilateral trade in energy has been impacted by three factors: demand, supply, and price.

The various lockdown measures in response to the Covid-19 pandemic in 2020 created a sharp fall in the demand for energy and a marked decline in energy prices. But as the global economy began to recover with the rapid rollout of the vaccination program, the faster than expected increase in energy demand drove up oil and gas prices.

Electricity pricing in Europe is largely driven by natural gas prices. In 2019, over 45% of gas exports to Europe came from Russia, but reliance on this low-cost gas was exposed when Russia invaded Ukraine in February 2022. The imposed sanctions and the search for alternative supplies (via pipeline and LNG) sent natural gas prices in Europe skyrocketing, which resulted in sharp increases in wholesale electricity prices.

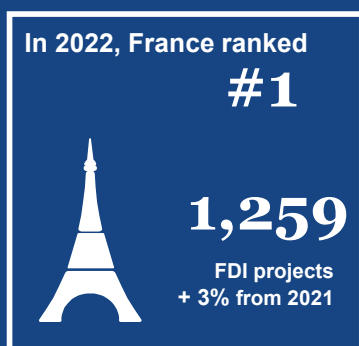
France, which relies on nuclear power for 67% of its electricity generation and is less dependent on natural gas, was relatively protected from the high gas prices. However unplanned stoppages for maintenance at several nuclear power plants over the summer, meant that in 2022, France became a net importer of electricity from the UK. Benefiting from strong generation of renewable energy, energy exports generated a € 4 bn trade surplus for the UK.



Foreign direct investment in 2022 —

Foreign direct investment (FDI) reflects a country's attractiveness for foreign investment. In the 2023 Attractiveness Survey¹, published by EY, which provides an annual ranking of European countries by their ability to attract FDI, France and the UK are the most attractive countries, maintaining their ranking as #1 and #2 FDI destinations respectively.

While France is in pole position for the number of FDI projects, in 2022 FDI projects in the UK created 47,000 jobs compared to 38,000 in France. 60% of France's total FDI projects were expansions of existing projects, compared to 30% in the UK.



5.2%

In 2021, FDI from the UK in France amounted to € 112 bn accounting for 5.2% of total **UK outward FDI stock**².



5.0%

The FDI in the UK from France was € 117 bn accounting for 5.0% of the total **UK inward FDI stock**.

#5

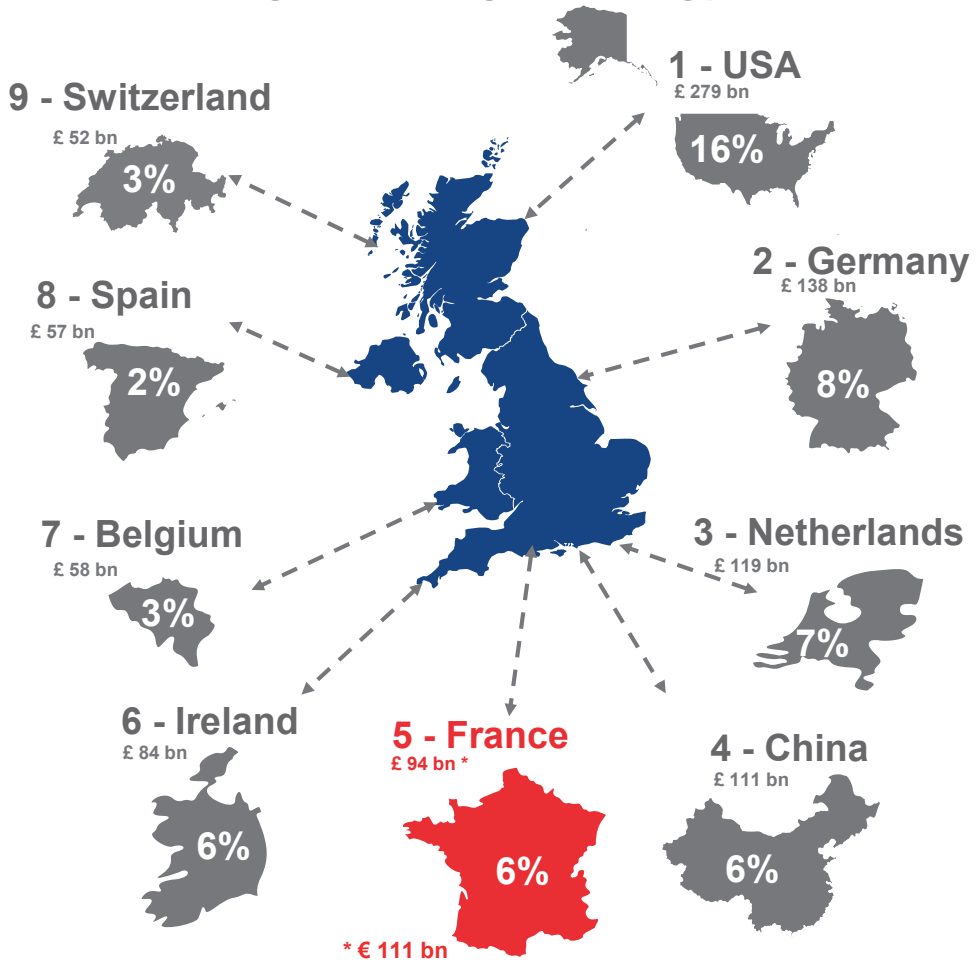
In 2021, France was the 5th largest investor (by FDI stock) into the UK economy behind the United States, the Netherlands, UK offshore islands and Luxembourg. The UK was the 5th largest investor into the French economy after the United States, the Netherlands, Luxembourg and Spain³.

FDI Notes:

1. EY 2023 UK Attractiveness Survey press release 11/05/2023. Full report to be published on 19/06/2023
2. UK Government Department for Business & Trade: France Trade and Investment Factsheet published 18/05/2023
3. ONS Foreign Direct Investment involving UK companies, 2021.
4. United Nations Conference on Trade and Development (UNCTAD) global data for 2022 not yet available.

France, a *key global trading partner*

Ranking of United Kingdom's trading partners



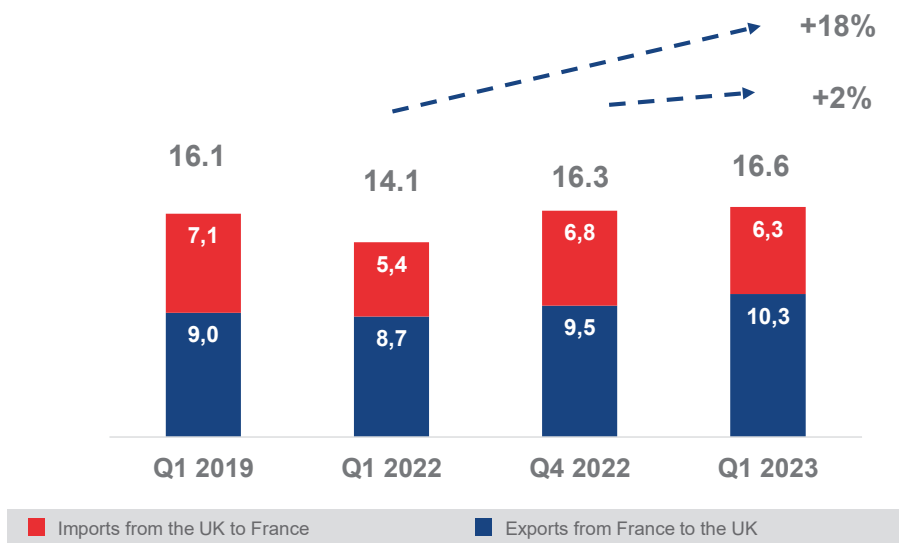
France is the UK's 5th largest trading partner and accounts for 6% of UK total trade. It therefore retains its position compared to 2021. In 2022, China's ranking has increased, ahead of France and Ireland.

Growth still positive in Q1 2023

Despite economic headwinds, trade in goods during the first quarter of 2023 shows an 18% increase year on year, back above the Q1 2019 level. Growth in exports from France (+19%) is still above the growth in imports from the UK (+16%) with trade in the machinery and transport equipment sector showing the strongest growth year on year.

Looking at the evolution quarter-on-quarter, imports from the UK in Q1 2023 were below levels in Q4 2022, although this reflects lower energy imports which peaked both in terms of volume and prices in Q3 2022.

(in £ billions)



Note: The data above only provides an indication of the outlook for 2023. The ONS recommends to focus on year-on-year comparisons.



France and the UK
Privileged trading partners for over
150 years



There is a **new sense of confidence** and collaboration in 2023. First quarter figures for trade in goods show continuation in the pre-Covid growth trajectory, with year-on-year trade up 18%.



Following the Franco-British summit in March, Rishi Sunak and Emmanuel Macron **confirmed their commitment** to European security, to accelerate the transition to clean energy, and to renew the deep connections between France and the United Kingdom.



Undertaking to **enhance industrial cooperation** and address shared issues, the focus will be on fostering business relations and exchanges to strengthen industrial resilience, reduce supply chain risks, and improve access to key materials and skills.



The fall in energy prices since their peak in H2 2022 is likely to be reflected in the bilateral trade figures for energy. Nevertheless, France and the UK remain committed to their **low-carbon energy partnership** through ports and interconnectors, and energy trade in terms of volume has the potential to grow.



2024 will mark the **120th anniversary of the Entente Cordiale**, the occasion to recognize the deep cultural connections and shared interests between the two countries.



The Barometer is a publication of the Think Tank Cross Channel Institute

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