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EXPORTS TO EMES

Following discussions in the November MPC meeting, this note provides some clarification on the size of exports to EMEs for the UK, US and euro area.

1 **Table 1** below shows our estimate of the share of GDP accounted for by exports to EMEs in the UK, euro area and US. This suggests that exports to EMEs are equal to around 7% of GDP in the UK, 14% of GDP in the euro area, and 5% of GDP in the US.

2 In order to calculate the shares in **Table 1** for the UK, we use data on the destination of exports of goods and services. So this will give an accurate reflection of the scale of total EME exports, relative to GDP.

3 For the euro area and US bilateral trade data for services are not available, so the goods data are used as a proxy for the share of exports to EMEs in total exports. This could potentially overstate the importance of exports to EMEs if EMEs account for a smaller share of services exports than goods exports. So the numbers in **Table 1** should probably be thought of as an **upper bound for the euro area and US**.

4 A **lower bound** estimate for the euro area and US can be calculated by looking at the value of goods exports to EMEs as a share of GDP. This will assume that all of the services exports of both countries are destined for AEs, and as such is likely to understate the importance of EME exports. This approach suggests that exports to EMEs are equal to around 10% of GDP in the euro area, and 4% of GDP in the US. This ratio is much larger for the euro than the US both because the euro area exports a higher share to EMEs, but also because it is a much more open economy (ie it has a higher ratio of extra euro-area exports to GDP).

Table 1: Exports to emerging markets

	Total exports % of GDP	Exports to EMEs, % of exports*	Exports to EMEs, % of GDP (approximate)
UK	28%	24%	7%
Euro area**	26%	52%	14%
US	13%	41%	5%

* For the UK this is the share of EMEs in total exports, for the US and EA this is the share of EMEs in goods exports.

**The euro area numbers are for extra euro-area exports.