

BRIEFING

A SERIES OF POST-REFERENDUM BRIEFINGS

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UK EXPORTS

– HOW GOLD AFFECTS THE FIGURES AND THE FACTS

The Deputy Director of the Office for National Statistics, Jonathan Athow, in a press release on February 10th 2020 explained how (non-monetary) gold movements affect the trade statistics which are often quoted in the Brexit debate:

“When a foreign buyer purchases gold from a UK owner, it counts as an export even if the gold does not leave the UK. In addition, the gold that has been sold may not even be in the UK.”

Because of the distortions caused by the gold trade, Jonathan Athow stated that, from February 10th, the ONS will publish statistics of trade excluding gold.

There is also an interesting commentary by Ed Conway of Sky News, “UK exports of gold rocketed to £12 billion in November/December 2019”.

That allowed the UK to have its first monthly goods surplus – on record – but Liz Truss, the Trade Minister, misunderstood the figures and did not realize the increased exports were direct gold movements. This lack of understanding might be serious.

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But, why did gold exports rocket?

According to Ed Conway it is because some gold in the London vaults of the biggest banks, who trade in gold, shifted from 'unallocated' to 'allocated'. Probably nothing physically moved. Simply an electronic label on some gold bars noted a change of ownership and this resulted in the biggest fluctuation in Britain's trade figures in modern history.

Personally, I believe in 'allocated' gold. 'Unallocated' gold can be a source of dispute. There are large numbers of gold paper claims issued by ETF's and other players in excess of the total of physical gold. While some of this may well cancel out, it raises concerns.

Now that the ONS has sorted out the gold distortions in trade we can move onto getting the correct statistics of trade. Here the OECD has, in a vast statistical exercise, attempted to analyse trade by its value-added content, and not just by counting up everything – the latter is called gross exports.

The result – the EU share of UK value-added exports shrinks from taking 43.5% of UK exports to 37%. When negotiating with Mr. Barnier, it might be a good idea for UK negotiators to have the right figures (and don't include gold).

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