

What is the Pattern of Trade?

The pattern of trade describes what countries trade, who they trade with and how these trade flows change over time.

Factors Influencing the Pattern of Trade

Comparative Advantage

A country has a comparative advantage when it can produce a good or service at a lower opportunity cost than another country.

Countries therefore have an incentive to specialise in industries where they have a comparative advantage.

Comparative advantage → specialisation ↑ → exports of these goods/services ↑ → imports of other goods/services ↑ → pattern of trade changes

For example, the UK has a lower opportunity cost in high value financial services, exporting over £120 billion annually

Growth of Emerging Economies

The rapid growth of emerging economies has significantly changed global trade patterns. Countries such as Brazil, Russia, India and China (brics) have become increasingly important participants in world trade.

Many emerging economies have historically had lower labour and production costs, allowing them to produce manufactured goods more cheaply than advanced economies.

Lower labour costs → costs of production ↓ → export prices ↓ → international competitiveness ↑ → demand for exports ↑ → emerging economies gain a larger share of global trade

As a result, advanced economies may import more manufactured goods from emerging economies thus changing patterns of trade .

Growth of Trading Blocs and Bilateral Trade Agreements

A trading bloc is a group of countries that agree to reduce or remove barriers to trade between themselves. For example The **USMCA generates over \$1.5 trillion annually across the US, Mexico, and Canada.**

A bilateral trade agreement is an agreement between two countries to reduce barriers to trade. For example UK–Australia Free Trade Agreement .

Reducing trade barriers can change where countries import from and export to.

Written by [udoecon.com](https://www.udoecon.com)

Trade barriers within bloc ↓ → cost of trading between members ↓ → trade between members ↑ → trade creation

Imports from non-members become relatively expensive → imports from bloc members ↑ (instead of importing from non-members) → trade diversion

Changes in Exchange Rates

An exchange rate is the value of one currency in terms of another.

For example, if the pound depreciates:

£ depreciates → UK exports become cheaper for foreign consumers → demand for UK exports ↑ → UK exports ↑

At the same time:

£ depreciates → imports become more expensive for UK consumers → demand for imports ↓ → UK imports ↓

The UK's Pattern of Trade

The UK exported £929.8 billion and imported £969.3 billion in 2025. Services accounted for around 59% of exports, showing the UK's strength in high value service industries. [UK Government trade statistics](#)

Major UK Exports

- Business services: £191.1 billion
- Financial services: £105.3 billion
- Travel services: £68.1 billion
- Mechanical power generators: £45.5 billion
- Pharmaceuticals: £38.7 billion

Major UK Imports

- Business services: £126.8 billion
- Travel services: £84.4 billion
- Cars: £46.5 billion
- Transport services: £33.8 billion
- Mechanical power generators: £32.6 billion

Main Trading Partners

The US was the UK's largest individual export market in 2025, receiving 21.8% of UK exports. The EU collectively received around 41% of exports and supplied 49% of imports. [House of Commons Library](#)