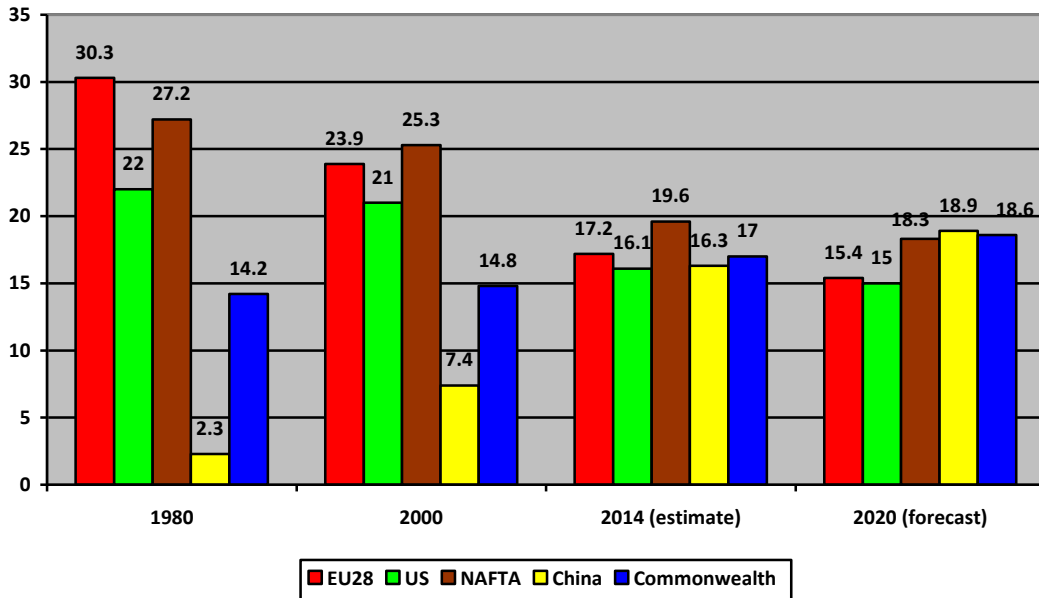
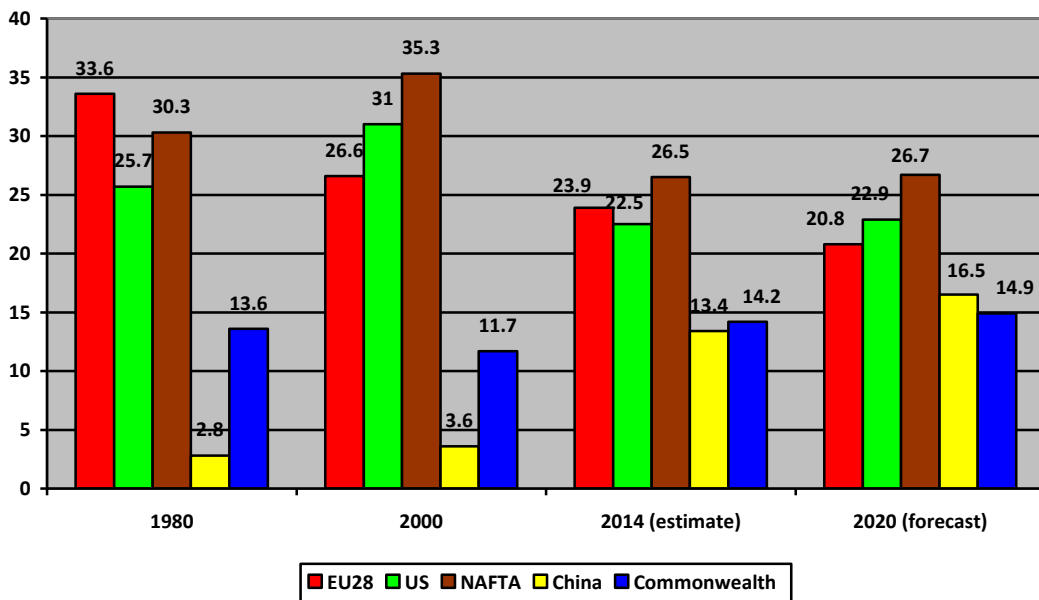


**Economic Research Council, 14 October 2015**  
**“A new relationship for the UK with the EU: what are the options?”**  
**Ruth Lea, Economic Adviser, Arbutnot Banking Group**

The EU’s share of world GDP is in secular decline.  
**Chart 1a Shares of world GDP (PPP terms), %**



**Chart 1b Shares of world GDP (MER terms), %**



Source: *IMF, World Economic Outlook*, database, April 2015. GDP in Purchasing Power Parity (PPP) terms gives the best measure of the internal, domestic “purchasing power” of a country. GDP in Market Exchange Rate (MER) terms gives a better measure of a country’s international purchasing power, so relevant for international trade, than PPPs but MERs are subject to exchange rate fluctuations.

## Europe's demographics are unfavourable

Chart 2a Regional shares of world population (%): 1950, 2010, 2050 and 2100

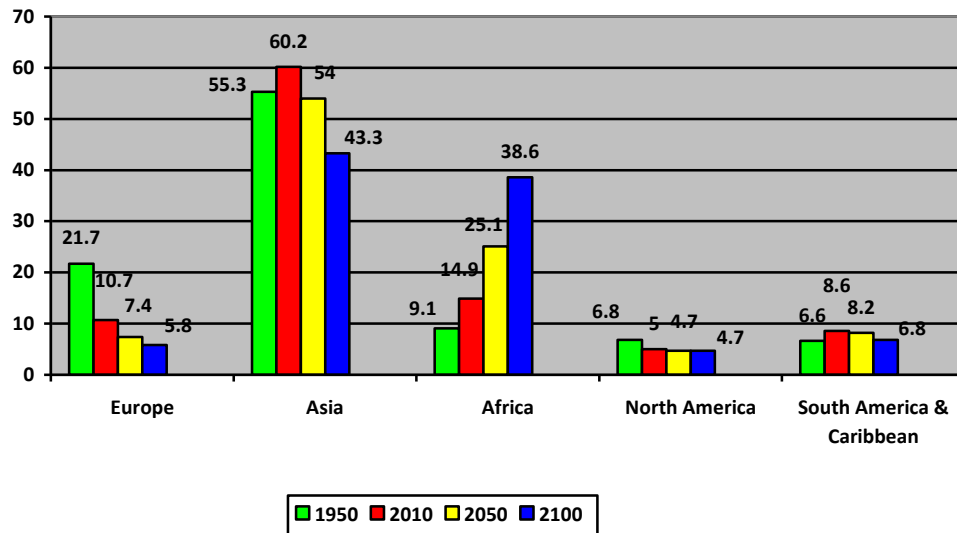
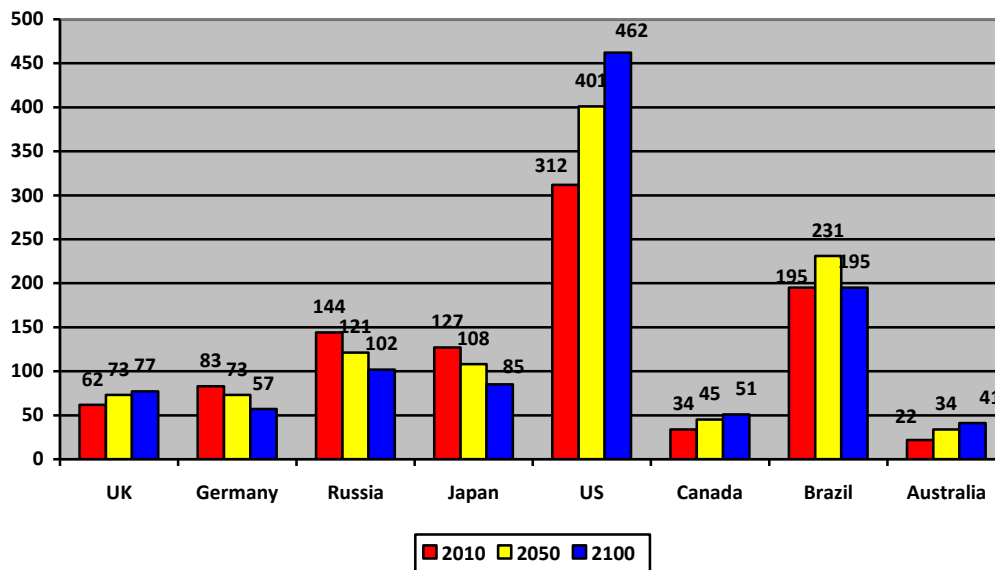
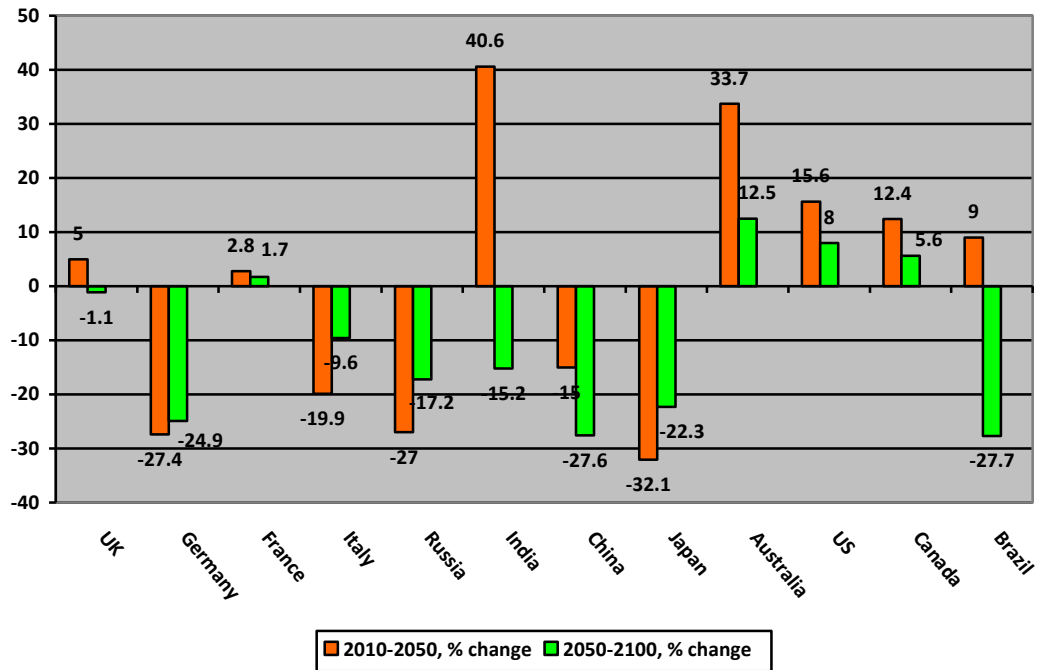


Chart 2b Population projections (millions), selected countries: 2010, 2050 and 2100



Source: UN, "World Population Prospects: The 2012 Revision", Medium variant, June 2013. China and India are excluded because their populations are on a different scale.

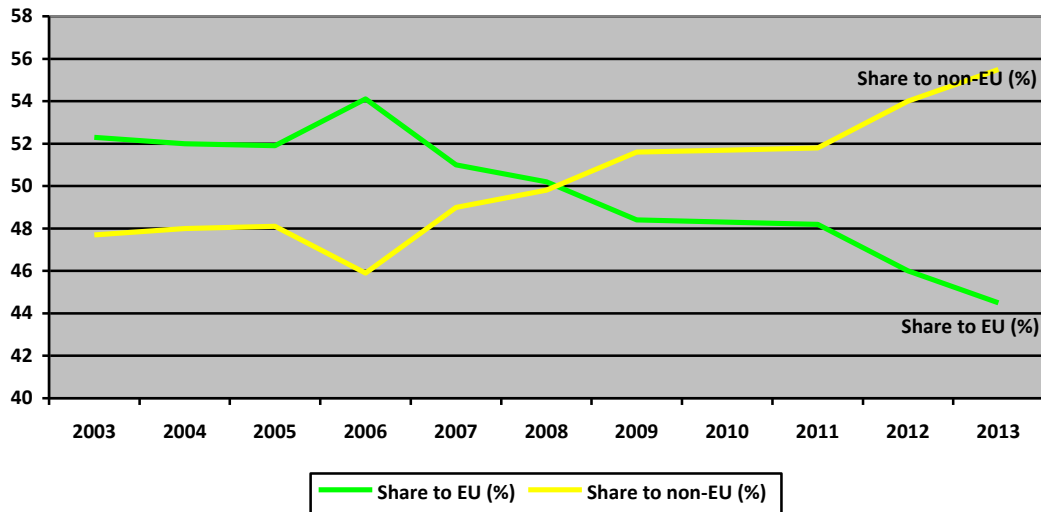
**Chart 3 Working-age population (15-64), UK, Eurozone “big 3”, other selected countries, % changes**



Source: UN, *World Population Prospects*, medium variant, 2012 revision. The closest data to “working age” available from the UN website is for the 15-64 aged cohort.

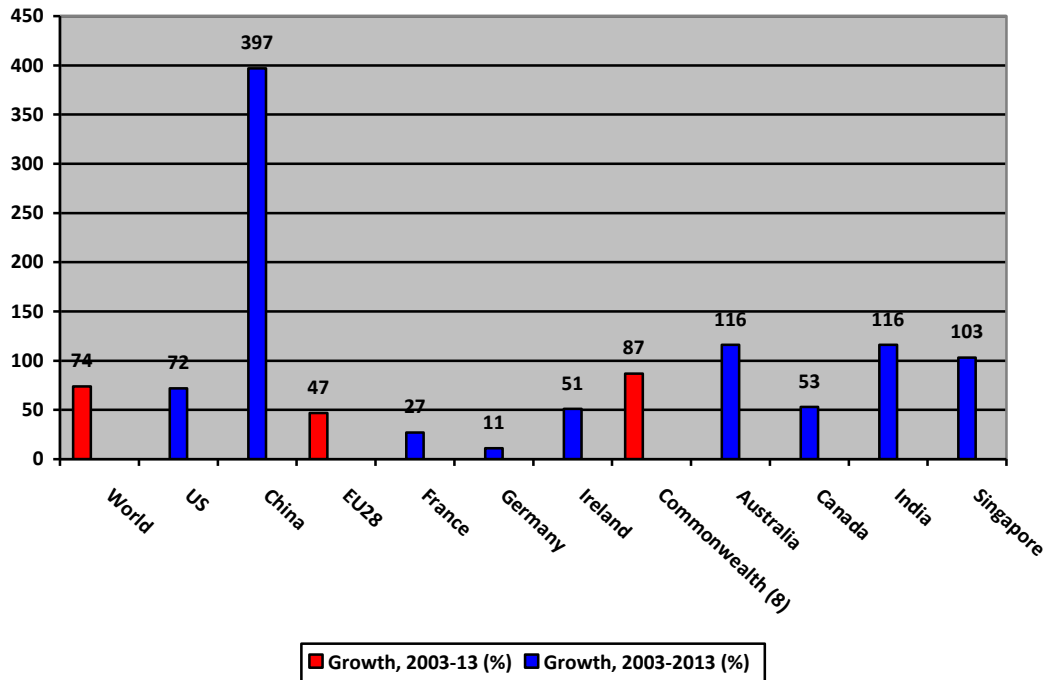
The share of UK exports to the EU is in secular decline, as growth to non-EU markets outstrips growth to EU markets

**Chart 4a UK exports of goods and services, share of total (%), to EU & non-EU, 2003-2013**



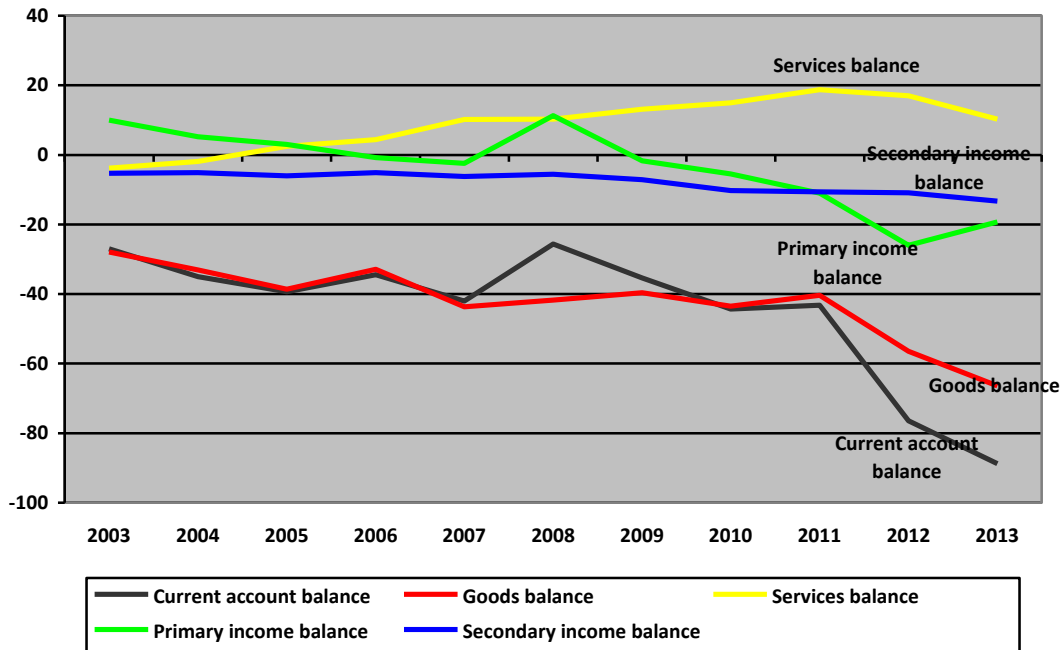
Source: ONS, *UK Balance of Payments, the Pink Book*, 2014 edition. Note: exports to the EU are distorted up by the Antwerp-Rotterdam effect.

**Chart 4b UK exports of goods and services, growth between 2003 & 2013 (%)**

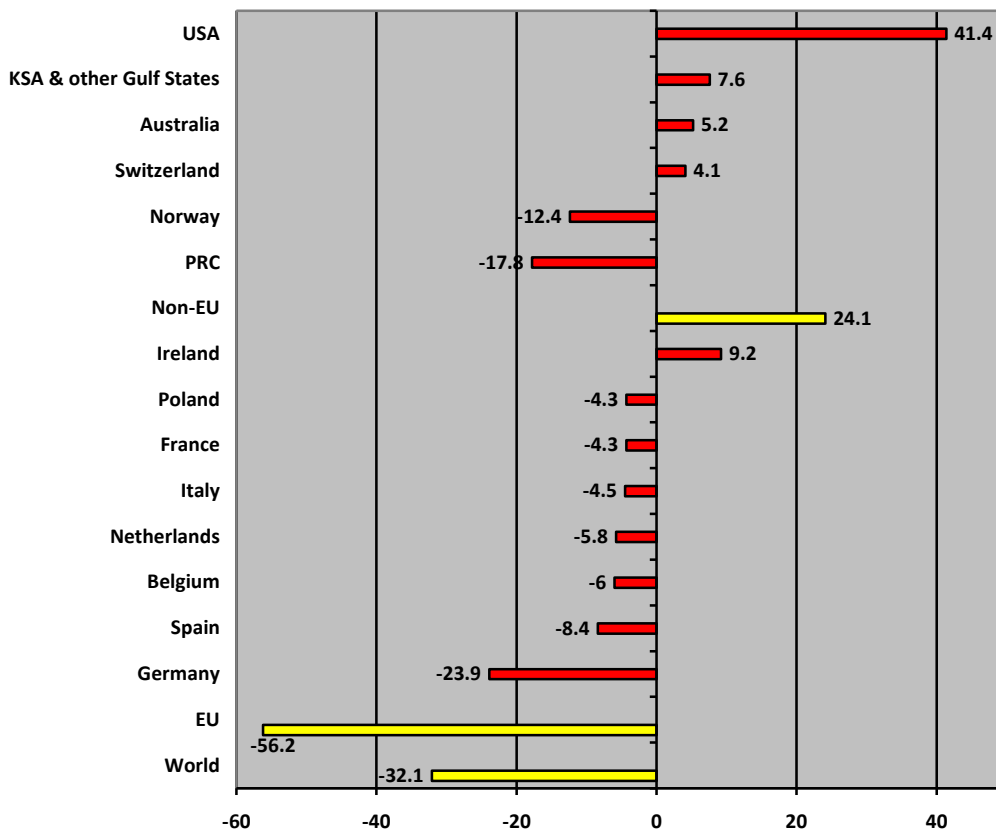


Source: ONS, *UK Balance of Payments, the Pink Book*, 2014 edition.

**The UK runs huge, and deteriorating, external deficits with the EU**  
**Chart 5a UK current account balances & components (%), 2003-2013, £bn**



**Chart 5b Balance of trade in goods and services, £bn, selected countries, 2013**



Source: ONS, *UK Balance of Payments, the Pink Book*, 2014 edition. The Current account of the balance of payments comprises goods, services, primary income (factor incomes) and secondary income (current transfers). KSA = Kingdom of Saudi Arabia.