

DEVELOPMENTS IN THE UNITED KINGDOM'S  
INTERNATIONAL TRADE IN SERVICES STATISTICS

Andrew Allen

Office for National Statistics, UK

## **Introduction**

The UK's international trade in services data are collected from a number of different survey and administrative sources. This paper describes recent developments in the main business surveys used to collect trade in services data. Changes to areas such as transport, travel and financial services are not included.

In the early 1990's, the UK completed a programme of improvements to the quality of international trade in services data. The programme included the expansion of business surveys to replace trade association sources and increased frequency of collection to quarterly in a number of areas.

In the last few years interest in international trade in services has continued to grow, leading to demand for more and more detailed analysis from the statistical surveys underpinning the figures. The introduction of the Fifth Edition of the International Monetary Funds's Balance of Payments Manual required that trade in services data should be presented in more detail, by identifying the type of services that are being traded. Within the UK there is a growing policy interest in geographical analysis of trade in services and a desire to analyse which types of services are being traded with which country.

These increases in the demand for the trade in services data has led to a number of key recent improvements to the relevant business surveys .

## **Product Detail**

The IMF manual contains a list of standard components which members are required to provide. This list includes a number of services and there is also a supplementary list containing further services. Historically the UK was only able to analyse trade in services by using the industrial classifications of the firms surveyed. It was possible, for example, to determine the scale of service exports by the chemicals industry, but it was not possible to determine what type of service had been exported. This limitation was more important when looking at imports because the classification of the importing firm gave little indication of the type of service imported.

A pilot survey was conducted in 1995 to assess whether it would be feasible for UK businesses to be able to provide the new level of detail required by the IMF. The results indicated that businesses understood what was required and were able to provide the extra detail, but with a higher compliance cost.

Until recently international trade in services data was collected in a number of small specialised surveys, but the move to collecting details of the type of services traded meant that these could be merged into an integrated and efficient trade in services survey with a common questionnaire. As a result the new product based survey was introduced to the

larger contributors in Q1 1996. The smaller contributors, who report only annually, will receive the new form in January 1997 in respect of 1996. So far only one quarter has been collected but few complaints have been received from contributors. It is too early to fully evaluate the success of the new survey but the first signs have been very encouraging.

## **Questionnaire Design**

The new survey requires contributors to select from 33 types of service for both exports and imports, and then for each of these we require a geographical analysis of the amount. The design of the form was therefore critical. During the design process the ONS looked at examples from Australia, New Zealand and Canada. The final design (see Annex 1) takes into account the best features of these. The pilot survey was also used to test the form and some minor modifications to the number of product and geographical boxes were made so that as many contributors as possible could be accommodated by the design. Many larger contributors provide their returns on a spreadsheet print out based on the design of the form. This is encouraged by ONS since it means that once the initial set up cost has been incurred businesses can respond with reduced ongoing cost and are more likely to meet the tight inquiry deadline.

## **Survey Design**

The difficulty with measuring overseas trade in services is that any business in the UK could potentially have an overseas service transaction, but many will not have any. The ONS's Interdepartmental Business Register (IDBR) does not have a source of information for this variable other than the surveys themselves; the ONS has been examining ways to resolve this problem. Several options were considered including directly sampling from the whole population, making use of administrative data sources such as Customs & Excise Value Added Tax (VAT) returns and the use of filter questions on other ONS surveys.

Sampling directly from the IDBR is inefficient because of the large number of businesses that would have nil returns. Exploiting the VAT source by adding a filter question would have been extremely expensive in terms of compliance cost and there were likely to be processing difficulties. The solution that has been selected is to use filter questions on other large business surveys, but supplemented by other indicators of trade in service activity including known contributors, direct investment links, trade association lists, some direct sampling and other sources. To cover the service sector a filter question will be placed on the Quarterly Turnover inquiries and to cover the production sector a question will be placed on the Annual Census of Production.

The merging of inquiries into a single integrated product survey has also permitted an improvement in the efficient allocation of the sample size. Nevertheless, the requirement for further improvements in accuracy and geographical detail from customers has led to a review of the benefits of expanding the sample size and this is currently under consideration.

## **Results**

The new product based survey commenced in Q1 1996 for the large traders. Aggregate estimates from these were used in the quarterly Balance of Payments from this date. In January 1997 the smaller traders will receive the new survey form in respect of 1996. The first full results containing product and geographical data should be available in autumn 1997. The level of detail to be published will be decided nearer the time but it is expected that most of the 33 products for export and imports will be published.

## **The Future**

The new product based form is an ideal candidate for an electronic collection method. This is because of the variable number of cells to be completed depending on the extent of a businesses overseas activities. The ONS is already investing in the development of electronic means of data capture such as the “electronic questionnaire”, for which the contributor completes the form on screen on his or her PC and returns the information via diskette or E-mail. The program validates the contributor’s response at the time it is completed. Once the quarterly contributors have had time to get used to the new paper form, the ONS will probably seek to develop an electronic version of this questionnaire. The advantages of this are lower compliance costs to contributors, improved quality and timeliness and also efficiencies to the ONS in terms of data processing.

## **Summary**

In response to increasing demand for more detail on international trade in services the ONS has redesigned its major survey to businesses. The new design will enable the IMF’s list of products to be collected in a way which minimises the burden on contributors. At the same time the survey methodology has been improved to help solve the difficult problem of identifying which businesses trade in overseas services. The first full results will be available in late 1997.