



Department of
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Exporting Northern Ireland Services Study (Experimental) 2003

5 December 2005

EXPORTING NORTHERN IRELAND SERVICES STUDY (EXPERIMENTAL) 2003

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The Exporting Northern Ireland Services Study is a new survey which has been introduced by the Department of Enterprise, Trade and Investment to further understand and estimate the value to the Northern Ireland economy of exporting services. The first year of the study is based on information collected via the International Trade in Services Survey (ITIS).

The International Trade in Services (ITIS) survey is a UK wide survey which collects information on overseas transactions of consultants and companies offering business services. Information collected from the survey is fed into the UK balance of payments and published at the UK level.

In 2003, a separate pilot survey was run using a boosted Northern Ireland level ITIS sample to cover all those service sectors that had been identified by earlier research as having a high potential to export their services. The extent of export activity in other sectors of the economy is monitored through a number of other DETI surveys and evidence of substantial activity in new sectors will be used to further boost the ITIS sample as required.

The pilot survey results published in this report are designated experimental in nature to reflect the fact that survey development is ongoing.

- Results from the Northern Ireland pilot ITIS survey show that, in 2003, firms classified within the High Export Potential Group employing 10 or more people, exported services valued at £126.4million.
- The Computer Industry contributed the highest level of Exports, accounting for approximately two-thirds (64.1%) of the total services exported by the high export group.

Department of Enterprise,
Trade and Investment

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Executive Summary

1

Introduction

The ability of businesses to compete internationally is recognised as vital to stimulating growth within an economy. Manufacturing industries have played a key role in the Northern Ireland economy, with around a third of sales from Northern Ireland manufacturing companies destined for customers outside the United Kingdom (exports). The economy has, however, changed somewhat over the last number of years, with the Manufacturing sector declining and a substantial shift towards the Service sector. This shift is apparent in the changing levels of employment across the two sectors. Manufacturing employment has declined by approximately 10% over the last two decades, whilst the Service sector has increased by around 45% over the same period. In 2003, the Census of Employment, estimated the Service sector to be around six times the size of the Manufacturing sector in terms of employee jobs.

The increased importance of the Service sector has resulted in a greater desire for knowledge regarding the sector and whilst comprehensive figures are available on the level of exports within the Manufacturing sector, no comparable information exists for the Service sector.

The annual ITIS survey, a statutory UK survey with a sample size of around 10,000, is the main vehicle for measuring the level of trade in services at the UK level. In 2003, the standard Northern Ireland sample was boosted to ensure full coverage of all 338 businesses considered to have a high potential to trade.

Information was sought from these additional companies through a pilot survey but due to the timing of this pilot NI results have been produced separately from UK results. Whilst 2003 UK results include estimates for NI, they are based on a much smaller sample with different coverage than the results presented in this report. It is planned that greater coherence should be achieved with the UK ITIS in subsequent years. This bulletin provides estimates of the level of trade in services in 2003 and represents the first set of results from the boosted sample of the sectors identified as having a high potential to trade in services internationally. This group is made up of the following Standard Industrial Classification (SIC) codes:

- Computer & Related Activities (SIC 72);
- Research & Development (SIC 73);
- Market Research (SIC 74.13);
- Business Management & Consultancy (SIC 74.14);
- Architectural & Engineering (SIC 74.2);
- Technical Testing & Analysis (SIC 74.3);
- Advertising (SIC 74.4);
- Creative Entertainment (SIC 92.1-92.3).

Export of Services by the High Potential Group

Results from the pilot study estimate that:

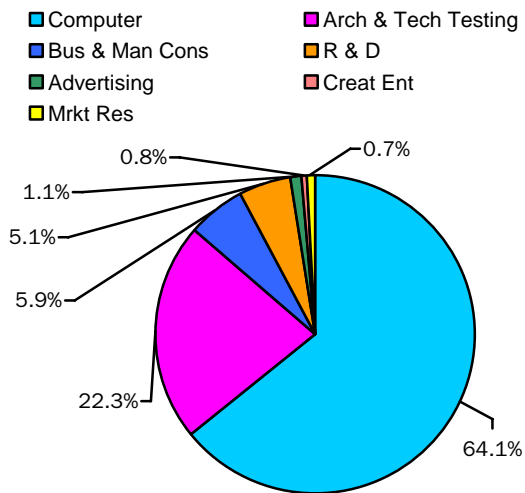
- **In 2003, the High Export Potential Group exported services valued at £126.4million.**

- The Computer Industry contributed the highest level of exports, accounting for approximately two-thirds (64.1%) of the total services exported by the high potential group.

Figure 1, below, displays the contribution each sector makes to the overall level of exports within the High Export group.

Proportion of Exports made by Industries within the High Export Potential Group

Figure 1



- Invest NI client companies account for more than three-quarters (77.2% or £97.6million) of total exports made by companies within the High Potential group.

Methodology & Provisional 2003 Results

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Figures are provisional and subject to revision to take account of additional information.

Following a three-year study undertaken by the Economic Research Institute (ERINI), a number of sectors were successfully identified as being those most likely to be involved in the export of services. This research involved the issuing of survey forms and also a number of specific case studies which gave greater insight into the barriers facing businesses seeking to export services, for example, those in the legal professions faced restrictions on operating outside their jurisdiction.

The research project highlighted a number of difficulties associated with the measurement of activity, one of them being the size of the Services industry and the fact that all companies classified as such, have the potential to trade in a service. The size of the Service industry is a significant obstacle in terms of trying to efficiently collect data whilst keeping burden on business to a minimum. To further complicate matters, companies classified outside the Services industry may also have the ability to trade in a service, for example, a manufacturing company may offer a design element as a service.

For the reasons already outlined, it was recommended that service export activity should, in the first instance, be measured comprehensively in those sectors identified by the ERINI research as having the highest potential to trade services internationally.

The following Standard Industrial Classifications (SIC) were identified:

- Computer & Related Activities (SIC 72);
- Research & Development (SIC 73);
- Market Research (SIC 74.13);
- Business Management & Consultancy (SIC 74.14);
- Architectural & Engineering (SIC 74.2);
- Technical Testing & Analysis (SIC 74.3);
- Advertising (SIC 74.4);
- Creative Entertainment (SIC 92.1-92.3).

The International Trade in Services (ITIS) Survey,

an established statutory UK survey, was chosen as the vehicle for collecting the data and a pilot survey was run to cover the calendar year 2003. The pilot survey comprised of a boost to the standard sample thus ensuring full coverage of all the aforementioned SICs. Similar to the UK survey, only companies employing 10 or more persons were selected to contribute to the survey.

DETI, Statistics Branch were successful in obtaining an effective response rate of 95% which was then supplemented with estimates based on turnover data from a range of sources thus resulting in an individual return or estimate being made for each company in the sample.

Returns to the ITIS survey benefited from a range of validation processes which included congruency checks between similar surveys in the branch, such as: the Sales and Exports Survey and the Northern Ireland Annual Business Inquiry.

Table 1, overleaf, provides provisional results from the 2003 pilot survey on the level of sales made to countries outside the United Kingdom (exports). Results are provided for each of the high export sectors.

Provisional results show that:

- **In 2003, the High Export Potential Group exported services valued at £126.4million.**
- **The Computer Industry contributed the highest level of exports, accounting for approximately two-thirds (64.1%) of the total services exported by the high potential group.**

Exports made by companies classified within the Computer industry equated to approximately £81.1million in 2003. This value was composed of payments for services, such as, hardware and software consultancy and bespoke software supply.

Companies classified within Architectural & Engineering Activities and Technical Testing & Analysis were ranked second in terms of contribution to overall exports and accounted for 22.3% or £28.2million of total exports in the high export group. Examples of exports made by this group include: architectural advice (including design), engineering consultation and design provided to customers based outside the UK.

Other sectors made a relatively small contribution to overall exports, each accounting for less than £10million. The Advertising, Creative Entertainment and Market Research industries, reported particularly low levels of exports.

- **Invest NI client companies account for more than three-quarters (77.2% or £97.6million) of total exports made by companies within the High Potential group.**

Invest NI clients were key contributors to the overall value of exports in 2003. Client companies accounted for 98.0% of exports made by Research and Development companies and 95.3% of exports made by companies classified within the Computer and Related Activities industry.

Future measurement of the level of Exported Northern Ireland Services

The 2003 pilot has shown that it is feasible to comprehensively measure the value of tradeable services for the high export potential group of businesses, via the statutory ITIS survey. Exports in these sectors will continue to be measured on an annual basis and the value of exports measured for 2003 (£126.4million) will act as a benchmark for future surveys.

The study will be further developed in the future through a series of initiatives whereby information in surveys, such as, the Northern Ireland Annual Business Inquiry and the Sales and Exports Survey, will be used to monitor patterns and to continue to identify companies with Trade in Services within sectors other than the already defined high potential group. Evidence of a substantial growth in new sectors will be used to develop the ITIS sample and information from the combined sources will be released via future reports.

Value of Exports made by high export potential companies in 2003

Table 1

Sector	£ million	% of total
Computer & Related Activities	£81.1m	64.1%
Architectural & Engineering Activities and Technical Testing & Analysis ¹	£28.2m	22.3%
Business & Management Consultancy Activities	£7.5m	5.9%
Research & Development	£6.4m	5.1%
Advertising	£1.4m	1.1%
Creative Entertainment	£1.0m	0.8%
Market Research	£0.9m	0.7%
Total	£126.4m*	100%

¹These industries have been combined to avoid disclosure

* Figures may not add back to the total due to rounding

- **Exports account for a small proportion of sales made within the High Export group.**

Provisional results from the 2003 Northern Ireland Annual Business Inquiry (NIABI) estimate level of turnover within the high export group to be approximately £779.7million. Although NIABI results are not totally comparable with ITIS results, due to different sampling and results processes, they do provide a proxy into which exports can be divided. In 2003, exports within the high export potential category accounted for approximately 16.2% of total sales; this proportion is relatively small when compared to the Manufacturing sector. The 2003/04 Manufacturing Sales and Exports Survey estimates exports made by manufacturing businesses to account for approximately 32.5% of all sales.

Contact Information

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If you require further information about this survey, please contact Statistics Research Branch by: -

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Information regarding the UK ITIS survey is also available via the following link.

<http://www.statistics.gov.uk/StatBase/Source.asp?vlnk=465&More=Y>