

Statistical bulletin

# UK services trade by business characteristics: 2016 to 2018

Breakdown of UK trade in services by business characteristics (size and ownership), industry and region, on a balance of payments basis using a new experimental dataset.

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# 1 . Main points

- Of businesses with known characteristics, large foreign-owned businesses (that is, those with 250 or more employees) traded more than any other business type, exporting and importing £46.0 billion and £24.8 billion of services in 2018, respectively.
- In 2018, foreign-owned businesses exported £96.3 billion and imported £49.9 billion of services, whereas domestically owned businesses exported and imported less, at £69.8 billion and £33.5 billion, respectively.
- In 2018, large businesses exported £70.5 billion and imported £37.7 billion of services, medium businesses exported £34.8 billion and imported £13.7 billion, and small businesses exported £25.6 billion and imported £11.5 billion.
- All business sizes exported more to non-EU countries than EU countries in 2018, whereas only large businesses imported more from non-EU countries than EU countries.
- In 2018, small domestically owned businesses traded more than small foreign-owned businesses, whereas large foreign-owned businesses traded more than large domestically owned businesses.
- Of the top 10 services exporting and importing industries, as defined in [our trade in services by industry](#) release, imports and exports were both mainly driven by large businesses in 2018.

## 2 . UK exports and imports of services by ownership and size

This is a new experimental release looking at the value of services trade by business characteristics (that is, by size and ownership status) on a balance of payments (BoP) basis. Additional breakdowns are available by [industry and region](#). This release is accompanied by a [rich dataset](#) to help users explore which types of businesses contribute most to the trade in services aggregates, which industries they are in and which regions they trade with.

Trade in services undertaken by businesses that we have not been able to link characteristics to are not included in this analysis and have been excluded from total trade in services for the purpose of percentage of total calculations. The following analysis reflects trade in services by businesses with known characteristics only. At most, businesses with unknown characteristics accounted for 57.4% of total services exports and 68.1% of total services imports in 2018, though the percentage of unknown may be lower in some tables (see [Measuring the data](#)).

### Ownership

Excluding businesses with unknown characteristics, foreign-owned UK businesses contributed the most to UK exports and imports of services (Figure 1). Foreign-owned businesses exported £96.3 billion of services in 2018 compared with £69.8 billion of services exports by domestically owned businesses. Both domestically owned and foreign-owned businesses exported more to non-EU countries than EU countries: domestically owned businesses exported 63.2% of their services to non-EU countries, while foreign-owned businesses exported 57.9%.

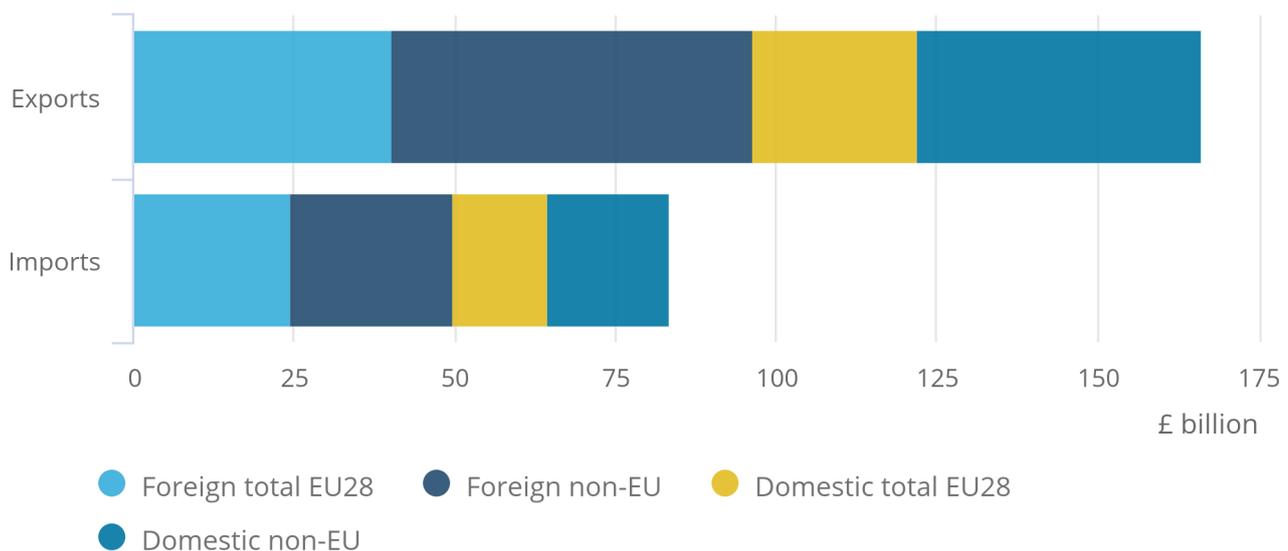
The same pattern was observed for imports in 2018; foreign-owned businesses imported £49.9 billion of services, compared with £33.5 billion imported by domestically owned businesses. Both foreign-owned and domestically owned businesses imported more from non-EU countries than EU countries: foreign-owned businesses imported 50.7% of their services from non-EU countries, while domestically owned businesses imported 56.3%.

## Figure 1: Foreign-owned UK businesses contributed the most to UK exports and imports of services

UK exports and imports of services split by domestic and foreign-owned businesses and EU and non-EU countries, 2018

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UK exports and imports of services split by domestic and foreign-owned businesses and EU and non-EU countries, 2018



Source: Office for National Statistics – UK trade in services

## Size

Excluding businesses with unknown characteristics, large businesses exported more than small and medium-sized businesses, exporting £70.5 billion of services in 2018 (Figure 2). Medium-sized businesses exported a lesser £34.8 billion, followed by small businesses, which exported £25.6 billion. All business sizes exported more to non-EU countries than EU countries, with approximately 60% of exports for each business size going to non-EU countries.

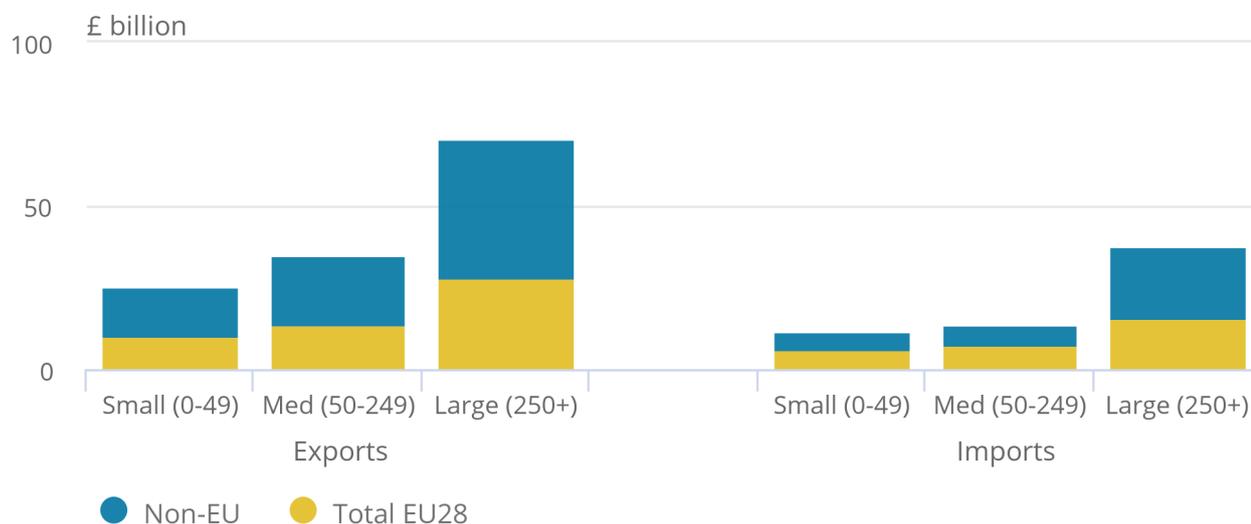
Large businesses also imported more than small and medium-sized businesses, importing £37.7 billion in 2018, followed by medium-sized and small businesses, which imported £13.7 billion and £11.5 billion, respectively. Large businesses were the only business type to import more from non-EU countries than EU countries, with 57.5% of their imports coming from non-EU countries in 2018. Medium-sized businesses and small businesses imported 45.9% and 47.6% of their services from non-EU countries, respectively.

## Figure 2: Large businesses traded more than small and medium-sized businesses

UK services exports and imports by business size and region, 2018

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UK services exports and imports by business size and region, 2018



Source: Office for National Statistics – UK trade in services

## Ownership by size

Excluding businesses with unknown characteristics, large foreign-owned UK businesses contributed the most to UK trade in services in 2018 (Figure 3). These businesses were responsible for 36.5% (or £70.7 billion) of total trade (exports plus imports) by businesses with known characteristics in 2018, with £46.0 billion exported and £24.8 billion imported. In 2018, foreign-owned large UK businesses traded 88.6% more than domestically owned large UK businesses (exports plus imports).

Large businesses also contributed the most to trade in services by domestically owned businesses. In 2018, these businesses were responsible for 19.4% (or £37.5 billion) of total services trade by businesses with known characteristics, comprising £24.5 billion in exports and £13.0 billion in imports.

Medium-sized businesses contributed 25.0% (or £48.5 billion) of total UK trade in services in 2018, with domestically owned businesses and foreign-owned businesses contributing evenly (£24.6 billion and £23.9 billion, respectively).

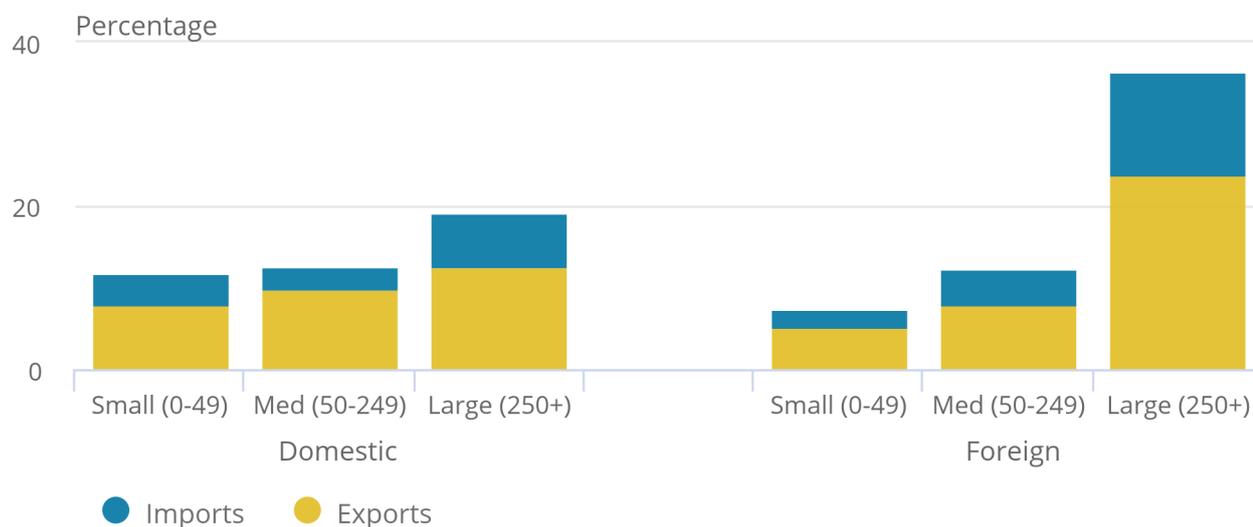
Small businesses contributed least to total UK trade in services, being responsible for 19.1% (or £37.1 billion) of total trade by businesses with known characteristics. Of this, £23.0 billion was attributed to domestically owned businesses and £14.1 billion to foreign-owned businesses. Domestically owned small businesses traded 63.5% more than foreign-owned small businesses in 2018.

**Figure 3: Large foreign-owned businesses were the largest driver of UK trade in services in 2018**

UK services exports and imports by ownership and size, 2018

Figure 3: Large foreign-owned businesses were the largest driver of UK trade in services in 2018

UK services exports and imports by ownership and size, 2018



Source: Office for National Statistics – UK trade in services

### 3 . The top 10 services exporting and importing industries

Trade in services undertaken by businesses that we have not been able to link characteristics to are not included in this analysis and have been excluded from total trade in services for the purpose of percentage of total calculations. The following analysis reflects trade in services by businesses with known characteristics only. At most, businesses with unknown characteristics accounted for 57.4% of total services exports and 68.1% of total services imports in 2018, though the percentage of unknown may be lower in some tables (see [Measuring the data](#)).

#### Exports

Our [UK trade in services by industry, country and service type: 2016 to 2018](#) publication presented the 10 largest services-exporting industries. Figure 4 breaks this data down further by business size, with unknown and aggregated suppressed values included to remain consistent with the industry publication.

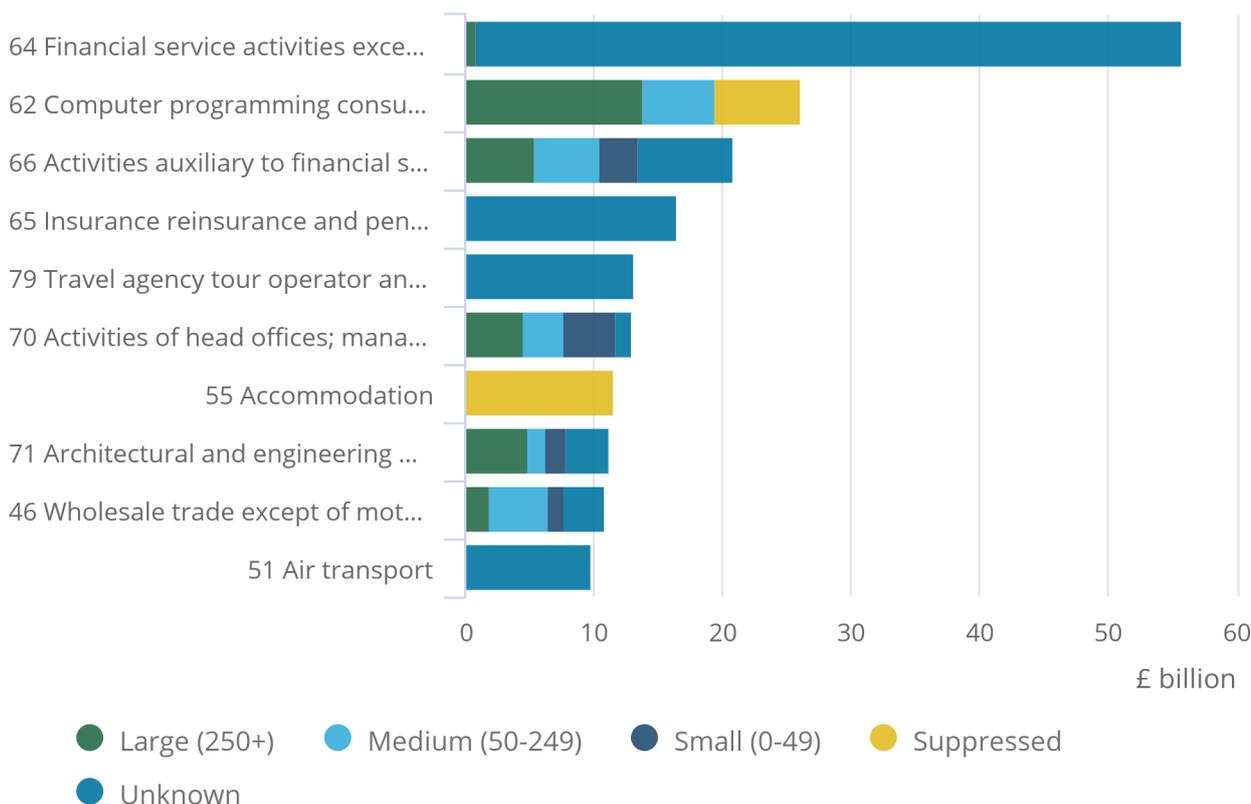
The largest services-exporting industry in 2018 was the financial services activities industry (industry 64), which exported £55.8 billion of services. As the majority of this industry is not measured by International Trade in Services Survey (ITIS), limited business characteristics data are available. Other than the wholesale trade industry (industry 46), the remaining services-exporting industries in the top 10 (where business characteristics data are available) were mainly large businesses. Exports by the wholesale trade industry were dominated by medium-sized businesses.

**Figure 4: Of the top 10 services-exporting industries, large businesses generally exported the most**

Top 10 services-exporting industries by size, 2018

Figure 4: Of the top 10 services-exporting industries, large businesses generally exported the most

Top 10 services-exporting industries by size, 2018



Source: Office for National Statistics – UK trade in services

## Imports

Our [UK trade in services by industry, country and service type: 2016 to 2018](#) publication presented the 10 largest services-importing industries. Figure 5 breaks this data down further by business size, with unknown and aggregated suppressed values included to remain consistent with the industry publication.

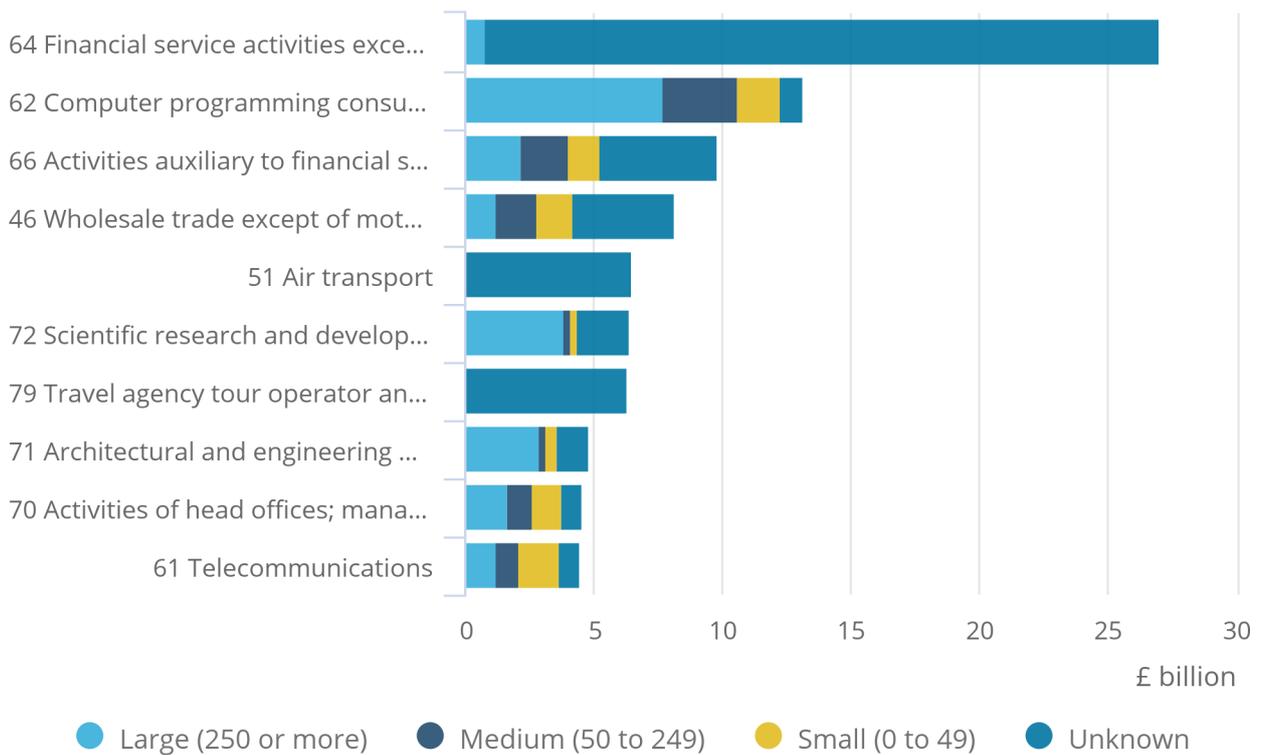
The largest services-importing industry in 2018 was the financial services activities industry (industry 64), which imported £27.1 billion of services. As the majority of this industry is not measured by ITIS, limited business characteristics data are available. Other than the wholesale trade (industry 46) and telecommunications (industry 61) industries, the remaining services-importing industries in the top 10 (where business characteristics data are available) were mainly large businesses. Imports by the wholesale trade industry were dominated by medium-sized businesses, whereas the majority of imports by the telecommunications industry were by small businesses.

**Figure 5: Of the top 10 services-importing industries, large businesses generally imported the most**

Top 10 services-importing industries by size, 2018

Figure 5: Of the top 10 services-importing industries, large businesses generally imported the most

Top 10 services-importing industries by size, 2018



Source: Office for National Statistics – UK trade in services

## 4 . UK services trade data

[UK trade in services by business characteristics](#)

Dataset | Released 10 March 2020

Breakdown of UK trade in services by business characteristics on a balance of payments (BoP) basis using a new experimental dataset.

## 5 . Glossary

## Domestic ownership

Domestic ownership is where the ultimate controlling parent is based in the UK.

## Foreign ownership

Foreign ownership is where the ultimate controlling parent is based outside the UK.

## Unknown ownership

Unknown ownership is where the location of the ultimate controlling parent cannot be determined.

## Business size

There are four categories of business size: small (0 to 49 employees), medium (50 to 249 employees), large (250 or more employees) and unknown (the number of employees cannot be determined).

# 6 . Measuring the data

The dataset for the trade in services analysis released alongside this bulletin was compiled by combining microdata within our existing [trade in services by industry dataset](#) that has been sourced via the International Trade in Services Survey (ITIS) with the Office for National Statistics (ONS) [Inter-Departmental Business Register \(IDBR\)](#). The IDBR contains additional business characteristics information, such as the number of employees and whether owned by a domestic or foreign ultimate parent company.

Quality and methodology information for the existing trade in services by industry dataset can be found in [Section 8 of the latest release](#).

## International Trade in Services Survey (ITIS)

The main data source for our trade in services statistics is ITIS. This is the only data source that we collect at a business-level. Therefore, all estimates of services trade by business characteristics relate only to data collected via ITIS. Remaining services trade have been allocated to “unknown” characteristics, in line with [Eurostat international best practice](#) for measuring services trade by business characteristics.

ITIS collects company-level microdata on exports and imports of services products. Office for National Statistics (ONS) ITIS data are compliant with the latest international standards, as outlined in the [Manual on Statistics of International Trade in Services 2010 \(MSITS 2010\)](#).

Breakdowns are available by product, industry and geographical region, and products are classified using the [Extended Balance of Payments Services classification \(EBoPS 2010\)](#). ITIS consists of 52 products and 17 product groups, and it is the main source of UK trade in services data, covering most industries. However, it has several exceptions such as:

- travel
- transport
- banking and other financial institutions
- higher education
- charities
- most activities within the legal profession

The quarterly sample is made up of approximately 2,200 businesses, and the annual sample is made up of approximately 15,500 businesses. The survey data from both the quarterly and annual results are combined to produce the [annual ITIS estimates](#) and are used as a main data source to compile total trade in services estimates.

For industries that ITIS measures, a direct industry breakdown can be found using the industrial classifications of responding businesses. All businesses sampled to complete ITIS are sampled from the IDBR, which contains records of the [Standard Industrial Classification \(SIC\)](#) of each business. ITIS service type by country data are then broken down into industries using this business-level SIC information and are therefore considered robust.

ITIS does not stratify based on employment count or ownership status. Therefore, although we have assumed the sample is representative of these characteristics, we cannot be certain.

More quality and methodology information on strengths, limitations, appropriate uses, and how the data were created is available in the [ITIS QMI](#).

## **Inter-Departmental Business Register (IDBR)**

This release presents trade in services data by size of business and by ownership status, enabled through linking to the IDBR. The IDBR is a comprehensive record of UK businesses compiled and used by the government for statistical purposes. The IDBR provides the main sampling frame for ONS business surveys and other government departments, covering over 2.7 million businesses in all sectors of the UK economy.

The primary data used to maintain the IDBR are provided by HM Revenue and Customs (HMRC). All firms registered with HMRC for either Value Added Tax (VAT) or Pay As You Earn (PAYE) purposes are listed, excluding those without employees and with turnover below the VAT threshold.

The IDBR includes data on the structure of businesses, classifying “VAT units” and “PAYE units” from the HMRC registrations. “Local units” represent the individual sites on which the business operates, while “reporting units” are usually made up of local units that undertake similar activities. The “VAT unit” contains all units within an enterprise. An “enterprise group” contains all enterprises within the group. Businesses are sampled for the ITIS at the “reporting unit” level.

To identify employment, businesses are linked to the IDBR reporting unit table at the “reporting unit” level. To identify ownership status, businesses are linked to the IDBR enterprise group table, to identify whether the enterprise group that owns the reporting unit is located inside or outside the UK. In some instances, it is possible to link businesses to identify employment but not ownership status; in some instance, it is possible to identify ownership status but not employment; and in some instances, neither can be identified. As a result, in tables containing both ownership and size breakdowns, the sum of services trade for size or ownership will not equal size or ownership in tables with only one of the breakdowns.

As it is not always possible to link with the IDBR, there are further instances of businesses with “unknown” characteristics (in addition to businesses not captured via ITIS), which have not been possible to link to the IDBR and therefore also appear in “unknown”. As a result, the “unknown” breakdowns available in different tables will not always equal each other, owing to linking discrepancies.

## Location

The location of the ultimate parent company rather than the immediate parent company is used to identify whether a business is foreign-owned, which is in line with [Eurostat international best practice](#) on measuring services trade by business characteristics.

## After EU withdrawal

As the UK leaves the EU, it is important that our statistics continue to be of high quality and are internationally comparable. During the transition period, those UK statistics that align with EU practice and rules will continue to do so in the same way as before 31 January 2020. We will continue to produce statistics broken down to EU and non-EU aggregates.

After the transition period, we will continue to produce our international trade statistics in line with the UK Statistics Authority's [Code of Practice for Statistics](#) and in accordance with internationally agreed statistical guidance and standards. This is based on the International Monetary Fund's (IMF's) [Balance of Payments and International Investment Position Manual sixth edition \(BPM6\)](#), until those standards are updated.

Data published in UK trade statistical releases also form part of the broader system of UK National Accounts, which will be produced in line with international standards as laid down in the [European System of Accounts \(ESA\) 2010](#) until the EU budgets are finalised for the years in which we were a member, as specified in the Withdrawal Agreement.

## Trade asymmetries

These data are our best estimates of bilateral UK trade flows, compiled following internationally agreed standards and using a wide range of robust data sources. However, in some cases alternative estimates of bilateral trade flows are available from the statistical agencies for those countries or through central databases such as [UN Comtrade](#). Differences between estimates are known as trade asymmetries and are a known aspect of international trade statistics, affecting bilateral estimates across the globe, not just in the UK.

We are heavily engaged in analysis of these asymmetries, developing strong bilateral relationships with other countries to understand, explain and potentially reduce them. We have produced a series of analyses showing [comparisons and the relative strengths of different estimates](#), which users may wish to reference to help them better understand the quality of our bilateral trade estimates.

# 7 . Strengths and limitations

## Experimental Statistics

It is important to emphasise that the statistics included within this release are [experimental](#). The methodology used to compile the data are subject to future improvements. Further detail regarding the methodology used to compile the statistics can be found in [Measuring the data](#).

## Consistency with other trade releases

Data in this release are consistent with [UK trade in services by industry, country and service type: 2016 to 2018](#), published on 28 February 2020.

## Data suppression and disclosure control

Analyses presented in this article do not include data that have been suppressed to protect individual trader confidentiality. This means contributions to services by each characteristic do not include any data that have been suppressed and when we refer to rankings or contributions of exports or imports for a given year, this only considers data that have not been suppressed.

In line with [UK trade in services by industry, country and service type: 2016 to 2018](#), published on 28 February 2020, services trade by business characteristic publication tables include estimates for “U - unknown industry” and “N – no industry”. Estimates derived from the International Passenger Survey (IPS) are used to help measure exports and imports of travel services. It is not possible to allocate individuals undertaking personal travel to an industry. Therefore, estimates of trade in personal travel services are reported under “no industry”. It is possible to allocate business travel to an industry based on the industry the business travellers are employed within. However, it has not yet been possible to undertake this mapping. Therefore, estimates of trade in business travel services are currently reported under “unknown industry”. There are other specific cases where our source data do not contain industry information for some products; in these cases, this has been mapped to “unknown industry”. We will look to improve this in the next release. As such, estimates categorised as either “no industry” or “unknown industry” are not included in our top 10 industries calculations and have been excluded from total trade in services for the purpose of percentage of total calculations.

Estimates categorised as having “unknown” business characteristics are also not included in total trade in services for the purpose of percentage of total calculations. They have been included in the top 10 industries calculations to allow for comparison with the [UK trade in services by industry, country and service type: 2016 to 2018](#) release.

## Rounding

Data within this release provide estimates of trade in services only, are in current prices and are subject to rounding. Small rounding discrepancies may therefore exist.

## 8 . Related links

[UK trade in services by industry, country and service type: 2016 to 2018](#)

Bulletin | Released 28 February 2020

Breakdown of UK trade in services by industry, country and service type on a balance of payments basis using a new experimental dataset.