

Article

UK trade development plan: 2020

The transformation of UK trade statistics over the past three years, along with an update on the ambitious plans for the next four years.

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1 . Introduction

This development plan contains an overview of the achievements realised through the transformation of UK trade statistics over the past three years along with an update on our ambitious plans for the next four years. To date, this transformation has been driven by collaboration with data source providers, analysts and users of these statistics. The breadth and depth of trade statistics currently available greatly exceeds those published prior to 2017, with the amount of data series having increased hundredfold. This is particularly important as demand for more granular statistics grew significantly following the UK's referendum on EU membership in June 2016, and it is anticipated that the subsequent departure of the UK from the EU in January 2020 will further increase this.

This development plan is part of wider work to transform trade and investment statistics and complements the [Developing foreign direct investment statistics: 2019](#) article published July 2019.

National Statistics status

UK trade statistics have not been designated as [National Statistics](#) since November 2014 because of several issues and errors in published data. Over the last three years, we have made significant improvements to UK trade statistics and have:

- strengthened our production processes and systems to prevent a recurrence of errors
- carried out improvements in response to the UK Statistics Authority's recommendations as well as in response to an independent National Statistics Quality Review
- responded to all 13 requirements from the [UK Statistics Authority assessment of UK trade statistics](#) published in May 2015

We continue to work closely with the Office for Statistics Regulation (OSR) in progressing toward reaccreditation. Our work on the analysis and reconciliation of asymmetries within UK trade data forms a central element of this. The latest analysis and plans regarding trade asymmetries can be found in our [recently published article](#) on the subject.

Development progress and priorities

[Section 2](#) of this development plan provides an update on the progress against the [previous version](#) published in October 2018. We know that as the UK leaves the EU, our users across government and the wider community will require a deeper insight into the UK's trading relationship with the rest of the world, both to develop and understand trade agreements with other countries; therefore, we will continue to transform our statistics in-line with this demand.

[Section 3](#) outlines our new and updated priorities with a strong focus on improved quality on trade in services through enhanced geographic coverage, subnational breakdowns and improvements to the International Trade in Services Survey (ITIS), which forms the main source of data for services. Although services form around 43% of total UK exports, UK gross domestic product (GDP) is comprised by approximately 80% from the service industry. As new trade deals around the world are negotiated, the importance of trade in services statistics will be higher than ever.

Finally, [Section 4](#) outlines the main areas for development we will progress over the next four years to meet the priorities described in [Section 3](#). These include:

- new and improved data sources, using administrative data where applicable and improvements to surveys where this is not feasible
- development and utilisation of new trade in services computer systems
- implementation of process improvements
- increased geographic information
- a transformation of the ITIS to include improvements to the sample design and survey questionnaire

Development priorities summary

The following table provides a high-level summary of planned developments, with an indicative time frame. More detail on these can be found in [Section 3](#).

Table 1: High-level summary of planned developments

Development	Indicative Time Frame
1. Methodological and system enhancements (including geographic improvements)	2020 and 2021 2022 to 2024
- Short and medium term	
- Longer term	
2. Longer-term strategic developments	2022 to 2023
3. Improvements to deflators	2020 and 2021
- Short-term development	2022
- Longer-term development	
4. Subnational data improvements	2021 to 2023
5. New data series	2020

Context

Following the UK's referendum on EU membership in June 2016, and in response to user demand, the Office for National Statistics (ONS) initiated a large and ambitious project to transform UK trade statistics.

In February 2017, we published the [UK trade development plan: 2017](#). This plan included development priorities for:

- quality assurance process improvements
- new trade in goods and trade in services systems
- ITIS sample increase

In October 2018, we published an update on progress in our article, [UK trade statistics transformation: achievements and forward look](#). This article also gave an outline of development planned for 2019, which included:

- continued investment in new systems and processes
- introduction of more granular trade in goods data by country and commodity
- introduction of interactive maps
- analysis of UK trade asymmetries ([article](#) published August 2018)
- UK trade in services by partner country ([experimental estimates](#) published October 2018)

Scope

The remainder of this development plan contains the following sections:

Section 2 - Progress report

This is a summary of progress against the previous development plans.

Section 3 - Development priorities

This is a description of the high-level priorities for UK trade statistics, in light of the UK's departure from the EU in January 2020.

Section 4 - Implementation plans

This is a brief outline of how we will achieve the development.

Section 5 - Development plan engagement

This details how to provide comments about this plan or UK trade statistics in general.

2 . Progress since 2017

Our previous published development plans provide details of the transformation of UK trade statistics over the last three years. In terms of data series alone, the number of series published has increased hundredfold to now over 100,000 series and has facilitated the development of more granular or new statistics, including:

- [Trade in goods: country-by-commodity: exports](#)
- [Trade in goods: country-by-commodity: imports](#)
- [Trade in services by type and partner country](#)
- [Trade in goods by industry, country and commodity](#)
- [Trade in services by industry, country and service type](#)
- [UK estimates of services trade by business characteristics](#)

The development of these new statistics has been underpinned by system improvements and the use of innovative technologies, together with new or updated data. For example, the introduction of new tools, such as interactive maps, has widened the accessibility of trade statistics and enabled users to access and analyse data in more detail.

We continue to review data sources and have worked with public and commercial organisations to secure new and improved data. These new data enable us to provide a richer dataset for users, without the need for additional questions on survey questionnaires, and this work will continue over the next few years.

Our analysis has given users an in-depth understanding of trade asymmetries between the UK and our bilateral trading partners and has provided insight into the level of these asymmetries with individual partners, the potential reasons for these and a plan for further work to ultimately reconcile them. Articles on this subject were published in [July 2017](#), [January 2018](#), [August 2018](#) and [February 2020](#).

In 2019, our pilot study, which asked more questions through our International Trade in Services Survey (ITIS) to better understand the mode of supply of services, was a success and we published [Modes of supply, UK experimental estimates: 2018](#) in July, making the UK one of the first countries to do so. This publication contains detail of UK trade in services by mode of supply, country and service type on a balance of payments basis.

Development work of exports of services at the subnational level continued, and it culminated in September 2019 with the publication of [International exports of services from subnational areas of the UK: 2017](#). This [experimental](#) dataset includes estimated values of exports of services for 2017 for NUTS1, NUTS2, NUTS3 and 15 joint authorities, including industry and a non-EU and EU split. Development work of imports of services at the subnational level followed, and we published [International imports of services to subnational areas of the UK](#) in April 2020.

Finally, our annual release of [UK National Accounts, The Blue Book: 2019](#) included several improvements to UK trade data. These improvements included:

- introducing estimates of the handling of intragroup transactions between resident and non-resident companies, which are part of the same group entity; while transactions between UK institutions have previously been captured in the income and output measures of gross domestic product (GDP), transactions between residents and non-residents are now being captured accordingly within trade in services
- enhancements to the adjustments applied so that trade in goods estimates are consistent with UK Balance of Payments; HM Revenue and Customs (HMRC) record the physical movement of goods in and out of the UK, but for the purposes of the balance of payments, adjustments need to be applied so that they are on a change of economic ownership basis
- an updated method to produce the price index used to deflate fuel for trade, to incorporate more comprehensive granular information and so provide a more accurate estimate of the volumes of each commodity traded on an import and export basis
- enhancements to how deflation is carried out for trade in services, which will better capture the currency mix of those transactions that are carried out in a foreign currency

3 . Development priorities

The priorities for UK trade developments described in this section reflect updated user requirements following the progress to date and considering the UK's departure from the EU and the need for trade negotiations with partner countries. There is a strong focus on further improving quality, enhancing geographic coverage, subnational data and improvements to the International Trade in Services Survey (ITIS), which is the main source of data for trade in services. These developments can be grouped into five objectives:

- methodological and system enhancements - short, medium and long term
- longer-term strategic developments
- improvements to deflators - short, medium and long term
- subnational data
- new data series

Methodological improvements

Towards the end of 2019, the trade development team undertook comprehensive "future-proofing" research for trade in services. We reviewed the 12 service accounts, as categorised according to the Extended Balance of Payments Services (EBOPS) classification, and highlighted recommendations for further improvements and development opportunities for each account. This research concluded in January 2020, and the subsequent recommendations have been prioritised into a programme of work spanning upcoming years. This work will start immediately, with improvements seen in the short, medium and long term, including:

- improvements to data sources and methods for accounts not covered by the ITIS (for example, financial services)
- improved geographic information
- methodological improvements
- system improvements

Longer-term strategic developments

Areas for longer-term development work identified under the "future-proofing" research comprise further improvements to the ITIS and improvements to surveys to develop digital trade statistics.

For both these longer-term developments, work can begin in the short term, but it will span a longer-term time frame before the outcome of the development is realised.

Further improvements to the ITIS

The ITIS is the main source of data for trade in services and is conducted both quarterly and annually. However, the survey does not cover all industries, with notable exclusions being the transport, banking, education and travel sectors because of these in principle being captured elsewhere within trade in services via other sources. ITIS is the largest single source of data within trade in services, contributing 53% of total exports and 46% of total imports of services in 2018, covering 51 EBOPS lines; this is roughly one-third of all services measured in trade in services.

Recommendations for improvements to this survey have been sourced from both the Office for National Statistics (ONS) Large Cases Unit (LCU) and the trade development team as part of the "future-proofing" research. The main recommendations are:

- include larger multinational enterprises in the ITIS sample - this has partially been addressed in 2019 but requires further work
- undertake a full sample review
- review the questionnaire and guidance notes
- add questions to cover any data gaps or sample changes
- digital transformation of the survey

Improvements to surveys to develop digital trade statistics

Digital trade is growing and although it provides opportunities for the global economy, there are many challenges in the production of digital trade statistics because of data gaps, distinction between digitally ordered and/or digitally delivered goods/services, digital intermediate platforms (DIPs), and fees charged by foreign-owned DIPs on transactions.

The development of digital trade statistics was considered as part of the "future-proofing" research and involved expert user engagement together with literature and methodological reviews concerning those issues highlighted earlier. Potential solutions have been identified and involve the following recommendations:

- data linking of existing surveys to address data gaps
- expansion of business and household surveys to capture new information
- utilise new data sources
- development of a bespoke digital trade survey

Improvements to deflators

Our annual release of [UK National Accounts, The Blue Book: 2019](#) saw improvements to how deflation is carried out for trade in services, which will better capture the currency mix of those transactions that are carried out in a foreign currency.

However, given the complexity and importance of deflators, the focus for coming years will be to make incremental changes to any deflator identified as having a specific need for quality improvement in the short to medium term, alongside a plan to develop ways to measure more goods and services prices in the longer term. This work will be progressed both under the scope of the trade development project work but also by the [wider transformation of national accounts](#) and the introduction of Double-Deflation.

Subnational data

Following the EU referendum in 2016, the focus for UK trade development was predominantly to address the quality, breadth and depth of UK-level statistics, and progress to date reflects the transformation of that data. In the future, our scope will widen and the focus on providing further detail on subnational trade will be more critical. Our users in devolved governments and regional authorities require better insight of the trade picture at a sub-UK level, covering both international trade and inter-regional trade so that new policy can be developed and trade deals can be measured by their impact on each region of the UK.

In recent years, we have developed [experimental](#) estimates of international trade in service exports at the subnational level and more recently added imports to this. In the future, we will dedicate more leadership and capability to our research in this area and will expand research into the measurement of subnational trade in more detail, including incorporating new measures such as business characteristics. We will take a collaborative approach and work with our partners across the Government Statistical Service (GSS), such as those in HM Revenue and Customs (HMRC), to achieve our vision of producing a regular, harmonised subnational trade publication that meets the needs of our users.

New data series

The changing economic climate for the UK means changing needs for our users. In addition to the granular level data previously developed, there is now a need for statistics relating to business characteristics and mode of supply, to allow users to fully understand the picture of UK trade.

Data by business characteristics

In March 2020, we published [UK estimates of services trade by business characteristics](#). This experimental dataset linked the ITIS to the Inter-Departmental Business Register (IDBR) and enabled us to publish trade in services by industry, employment size band and ownership status (foreign or domestic).

Later in 2020, we plan to publish a similar dataset for trade in goods by business characteristics, which will complement the one already produced by HMRC, by producing these estimates on a balance of payments (economic ownership) basis.

Modes of supply

The [Modes of supply, UK experimental estimates: 2018](#) were published July 2019 making the UK one of the first countries to produce such a breakdown. However, continued development is required to ensure that these experimental estimates align closer to not only the pillars outlined in the [Code of Practice for Statistics](#) but also to the proposed framework for modes of supply provided by Eurostat and the [Manual on Statistics of International Trade in Services \(MSITS\)](#).

As part of this ongoing development, we plan to publish statistics on Mode 3 (commercial presence) toward the latter end of 2020.

4 . Implementation plans

This section outlines the main areas of development required to meet our priorities set out in previous sections of this plan. These are:

- data sources
- systems
- processes
- analytical capability

Development of UK trade statistics continues to be a high priority within the Economic Statistics Group (ESG) at the Office for National Statistics (ONS). As such, it is a large, distinct development project with dedicated analytical and technical resources devoted to pursuing these developments. Alongside this, the operational team is integral to successful delivery, and the team continue to enhance resources and capability to enable this success.

Data sources

[Section 2](#) detailed the progress made to meet the need for more granular data and analysis of UK trade. This coupled with optimising current data sources and linking datasets has allowed us to develop more products than ever before. As users' needs evolve, so will our need for new or updated data sources, and we will continue to pursue these either via administrative sources or by enhancements to statistical surveys.

Systems

The previous phases of the trade development project invested in new systems and resulted in the ability to process larger and more detailed datasets while also having greater analytical capability. We will continue to utilise new technologies to respond to requests for new data or data analysis.

A wider ONS priority is for statistical production systems to migrate to new strategic technologies. The front-end trade in goods system is utilising this platform, with a plan in place for trade in services to move in due course, again bringing more capability, resilience and sustainability to our processes.

Processes

Process improvement and improvements in quality assurance have been part of the development plan from the beginning of our transformation work in 2017, and enhancements continue to be made when identified. The trade in services "future-proofing" research provided recommendations for further process improvements, and these have been prioritised accordingly.

Analytical capability

Improved analytical capability is a strategic priority across the Economic Statistics Transformation Programme (ESTP). The ESG is undergoing transformation to a new Target Operating Model (TOM), which includes recruitment of specialist staff and upskilling opportunities.

As part of this wider transformation, we have established a new International Analysis Team (IAT) who will focus on producing analytical insights into both trade and investment. We have also formed partnerships with academia and joint steering groups with other government departments on specific areas of UK trade, and we continue to work with the Economic Statistics Centre of Excellence (ESCoE) to commission new studies.

5 . Development plan engagement

This development plan has been published to give users a greater understanding of the next stage of the development work for UK trade statistics. The work has been prioritised in line with Economic Statistics Group (ESG) priorities and known user requirements.

We welcome all communication from users both in terms of this development plan and more widely in relation to the UK trade publication and outputs.

If you would like to provide comments, you can submit them by email or post. Contact details are as follows.

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