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Exporting Northern Ireland Services Study 2008

31 March 2010

Northern Ireland Statistics & Research Agency

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Business Activity **Statistics Bulletin**

EXPORTING NORTHERN IRELAND SERVICES STUDY (EXPERIMENTAL) 2008

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The Exporting Northern Ireland Services (ENIS) Study was first introduced by the Department of Enterprise, Trade and Investment in 2003 to further understand and estimate the value of exporting services to the NI economy. The study is based on information collected via the International Trade in Services (ITIS) Survey and supplemented with information from the Sales and Exports Survey and Annual Business Inquiry.

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

- Provisional results from the 2008 survey show that, firms classified within the High Export Potential Group employing 10 or more people, exported services valued at £224.8million, this marked an annual increase of £43.7million (24.1%). This is higher than the annual growth experienced in the previous year (2006 to 2007) when the annual growth rate was 12.3%.

- The Computer Industry continues to contribute the highest level of Exports, accounting for 64.4% (£144.4million) of the total services exported by the high export group.

- Almost a third (30.1%) of exports made by the high export group are destined for the Republic of Ireland.

- In 2008, Invest NI client companies accounted for more than four-fifths (81.9% or £184.1m) of total exports made by companies within the high potential group.

- In addition to the high potential group, the value of exports of services from NI Manufacturing businesses in 2008 was estimated to be worth £68.9million, increasing from £61.7million over the year (2007 to 2008).

- The value of services from Construction companies was £222.7million, representing an increase of £23.3million over the year (2007 to 2008).

- The total known value of service exports which is composed, for these purposes, of the high export potential group, the Manufacturing and Construction sectors equates to an estimated £516.3million export of services, increasing by 16.7% from £442.4million in 2007.

Department of Enterprise,
Trade and Investment

Exporting Northern Ireland Services Study 2008

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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 (36.3%) 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.

The increased importance of the Service sector has resulted in a greater desire for knowledge regarding the sector and in December 2005, DETI released the first set of results from the Exporting Northern Ireland Services (ENIS) study. This information, which referred to 2003, is used as a baseline to monitor the progress of the High Export Potential Sector. This latest report contains 2008 provisional results, revised 2007, 2006 and 2005 results thus providing information on how the High Potential group has performed over the last 4 years.

THE HIGH EXPORT POTENTIAL GROUP

The High Export Potential Group is composed of a number of industries, identified as having a high potential to trade in services internationally. This group is made up of those businesses which employ 10 or more persons and fall within 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).

Information on the level of trade in services is collected primarily through the UK survey, the International Trade in Services (ITIS) Survey. The standard Northern Ireland sample has been boosted to ensure full coverage of all businesses considered to have a high potential to trade. A total of 323 such businesses were selected in 2007 and 374 were selected in 2008.

EXPORT OF SERVICES BY THE HIGH POTENTIAL GROUP

Revised 2007 and provisional 2008 results from the Exporting Northern Ireland Services (ENIS) study estimate that:

- **In 2008, the High Export Potential Group exported services valued at £224.8million, and revised 2007 results at £181.1million an annual increase of £43.7million (24.1%).**

- **The rate of annual growth (24.1%) is higher than that of the previous year (2006 to 2007) when the rate of growth was 12.3%.**

- **The four year growth rate from 2004 to 2008 was 70.7% (£93.1million), showing there has been an overall considerable rise in the trade of services in the high potential group.**

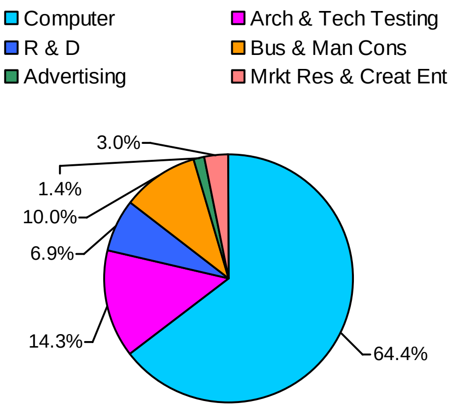
- **The Computer & Related Activities had the largest actual annual increase, increasing from £102.4million to £144.8million in 2008 (41.4%).**

- **The largest annual percentage increase was in the Market Research sector which reported a percentage increase of 77.5% (£0.8million).**

Figure 1, below, displays the contribution each sector makes to the overall level of exports within the High Export group in 2008.

Proportion of Exports made by Industries within the High Export Potential Group in 2008

Figure 1



EXPORTS AS A PROPORTION OF SALES

In 2008, exports within the high export potential category accounted for approximately 18.8% of total sales. Some sectors are more export intensive than others.

- **The Market Research sector generates over a third (35.1%) of its sales from exports whereas exports within the Architectural & Engineering sector account for only 7.8% of its total sales.**

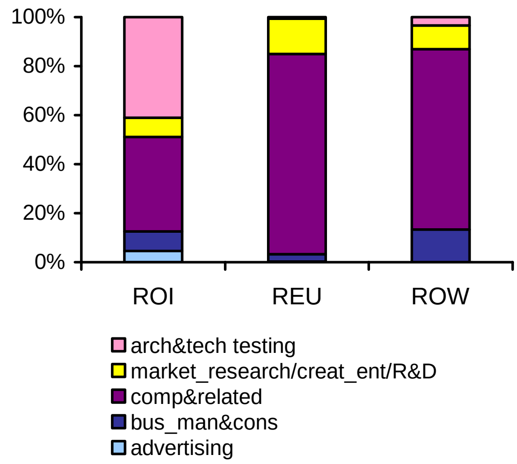
DESTINATION OF EXPORTS

It has been possible to publish data on the destination of exports within the high export potential sector for the years 2004 - 2008.

- **Over the year the value of exports to ROI has increased by 7.8% to £67.6m in 2008. The proportion of exports going to the Republic of Ireland (ROI) has been relatively stable over the years (37.9% in 2005, 35.7% in 2006, 36.4% in 2007) however there was a slight drop to 30.1% in 2008.**

Figure 2, shows the proportion of exports accounted for by each sector, according to destination.

Figure 2: Proportion of exports by destination and sector



INVEST NI CLIENT EXPORTS WITHIN THE HIGH EXPORT POTENTIAL GROUP

- **In 2008, Invest NI client companies accounted for four-fifths (81.9%) of total exports made by companies within the High Potential group.**
- **The increase in Invest NI supported companies over the year (28.3%) is greater than that reported for the high export potential sectors as a whole (24.1%).**

EXPORT OF SERVICES WITHIN THE MANUFACTURING & CONSTRUCTION INDUSTRIES

In addition to the High Export potential group, manufacturing businesses were asked via the Sales and Export survey to confirm their level of exports and the proportion of exports that were service exports.

- **In 2008/09, the value of exports of services from Northern Ireland Manufacturing businesses was estimated to be worth £68.9million an increase of 11.5% over the year.**

The construction sector (SIC 45) was first reported on in 2005 when the ITIS sample was boosted to incorporate additional companies in this sector.

- **Provisional results for 2008 estimate that Construction**

companies in Northern Ireland exported services worth £222.7million. This represented an increase of 11.7% over the year.

- **The total known value of service exports which is composed, for these purposes, of the high export potential group, the Manufacturing and Construction sectors equates to an estimated £516.3million export of services, increasing by 16.7% from £442.4million in 2007.**

Subject to further analysis, the information in this bulletin will be used to measure progress towards Public Service Agreement 1 (PSA 1) and its related sub-indicators.

Further information regarding PSA 1 can be found via the following link:

http://www.detini.gov.uk/psa1_delivery_agreement_-_pdf_version_for_website.pdf

High Export Potential Group, 2004-2008

2

2008 results are provisional and subject to revision. 2007 results have been revised to take account of additional information.

In 2008, DETI Statistics Branch was successful in obtaining a response rate to the International Trade in Services (ITIS) survey of 86.4% for companies within the High Export Potential Group. This response rate was further boosted by exports information collected via other comparable surveys within the Branch. By supplementing returns with data from other sources such as the Sales and Export Survey and the NI Annual Business Inquiry (NIABI) an effective response rate of 96.5% was achieved. Individual estimates were made for a small number of companies based on comparable data, resulting in an individual return or estimate being made for each company in the group.

Returns to the ITIS survey benefited from a range of validation processes which included congruency checks between similar surveys in the branch.

Provisional results from the 2008 survey show that:

- **In 2008, the High Export Potential Group exported services valued at £224.8million, this represents an annual increase of £43.7million or 24.1%.**

- **The rate of annual growth (24.1%) is higher than that of the previous year (2006 to 2007) when the rate of growth was 12.3%.**

- **The growth rate from 2004 to 2008 of 70.7% (£93.1million) shows there has been an overall considerable rise in the trade of services in the high export potential group.**

- **The largest annual percentage increase was in the Market Research sector which reported a percentage increase of 77.5% (increase of £0.8million).**

CHANGE OVER TIME

Within the high export group the Computer & Related Activities sector reported the largest increase in absolute terms over the year (£42.4million) while the Market Research sector was the sector to show most improvement in relative terms over the year increasing from £1.1 million in 2007 to £1.9 million in 2008 representing an increase of 77.5%. The next largest percentage change was in the Business & Management Consultancy sector which increased by 54.5% over the year and by 187.0% from £7.9m in 2004 to £22.5m in 2008.

In 2008, the high export potential group sectors varied greatly in their annual changes, three out of the seven high export potential sectors reported annual percentage increases namely Market Research (77.5%), Business & Management Consultancy (54.5%) and Computer & Related Activities (41.4%) while the remainder of the high export potential groups reported decreases in their exports of services.

Advertising, Creative Entertainment, Research and Development, the Architectural & Engineering Activities and Technical Testing & Analysis and Market Research industries each noted a negative annual percentage change, representing a combined decrease of £7.6million. However, it is worth noting that some of these sectors report relatively small quantities of exports of services therefore if one business reports a dramatic change in its exporting trade it can have a major effect on the annual percentage change for these sectors.

Table 1, overleaf, shows how the level of sales made to countries outside the United Kingdom (exports) has increased between 2004 and 2008.

Table 1: Value of Exports made by High Export Potential companies in 2004 to 2008 (£ million)

Sector	2004	2005	2006	2007 (revised)	2008 (provisional)	% change 2004-2008	% change over year
Computer & Related Activities	£79.6m	£91.2m	£97.5m	£102.4m	£144.8m	82.0%	41.4%
Architectural & Engineering Activities and Technical Testing & Analysis[1]	£26.6m	£29.0m	£29.7m	£34.0m	£32.1m	20.7%	-5.7%
Research & Development	£11.2m	£12.9m	£12.7m	£16.2m	£15.4m	38.2%	-4.9%
Business & Management Consultancy Activities	£7.9m	£11.3m	£11.2m	£14.6m	£22.5m	187.0%	54.5%
Advertising	£4.0m	£6.0m	£7.9m	£5.7m	£3.2m	-21.3%	-44.4%
Market Research	£1.3m	£1.9m	£1.4m	£1.1m	£1.9m	46.4%	77.5%
Creative Entertainment	£1.2m	£1.5m	£1.0m	£7.1m	£4.9m	306.1%	-31.3%
Total	£131.7m	£153.8m	£161.3m	£181.1m (r)	£224.8m	70.7%	24.1%

r – revised data
Figures may not add back to the total due to rounding. Percentage changes are calculated on unrounded figures

Exports made by companies classified within the Computer industry equated to approximately £144.8m in 2008, this marked an annual increase of £42.4million or 41.4%. The computing industry continues to be the dominant sector within High Export Potential Group, accounting for 64.4% of total service exports, this percentage has remained fairly constant from 2004 indicating its exports are increasing at the same rate as the total exports. The value of service exports from this sector is attributed to payments for services such as hardware and software consultancy and also bespoke software supply.

- **The Computer Industry contributed the highest level of exports, accounting for 64.4% (£144.8m) of the total services exported by the high potential group.**

Advertising has experienced the largest percentage decrease over the year, down 44.4% to £3million.

Companies classified within Architectural & Engineering Activities and Technical Testing & Analysis sectors were ranked second, in terms of contribution to overall exports. These sectors accounted for 14.3% or £32.1million of total exports in the high export group in 2008. Examples of exports made by this group include: architectural advice (including design), engineering consultation and design provided to customers based outside the UK.

Over the four year period (2004 to 2008), the proportion of exports made by the Creative Entertainment sector increased from 0.9% to 2.2%. Although this proportion is small, this sector has the highest percentage change over the four years (306.1%) increasing from £1.2m to £4.9m.

Table 2 below shows the proportion that each sector in the High Potential group contributes to overall exports.

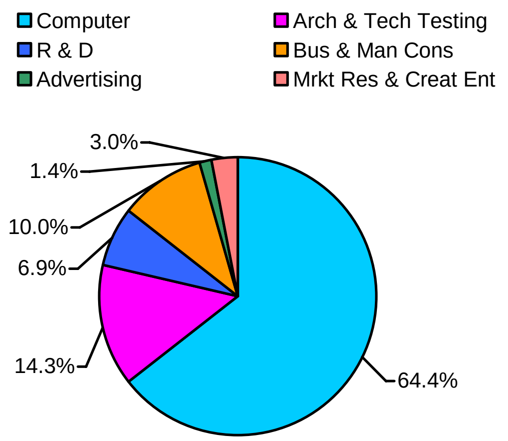
Table 2: Proportion of Exports made by Sectors in the High Export Potential group, 2004 to 2008

Sector	2004	2005	2006	2007	2008
Computer & Related Activities	60.4%	59.3%	60.4%	56.5%	64.4%
Architectural & Engineering Activities and Technical Testing & Analysis[1]	20.2%	18.9%	18.4%	18.8%	14.3%
Research & Development	8.5%	8.4%	7.8%	8.9%	6.9%
Business & Management Consultancy Activities	6.0%	7.4%	7.0%	8.1%	10.0%
Advertising	3.1%	3.9%	4.9%	3.2%	1.4%
Market research	1.0%	1.2%	0.9%	0.6%	0.9%
Creative Entertainment	0.9%	1.0%	0.6%	3.9%	2.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Figures may not add back to the total due to rounding

Figure 3, below, illustrates the proportion accounted for by each high export sector in 2008. From this chart it is evident that the Computer Industry sector and the Architectural Engineering & Technical Testing sectors combined account for the majority (78.7%) of service exports.

Figure 3: Proportion accounted for by each high export sector, 2008



EXPORTS AS A PROPORTION OF TOTAL SALES

Provisional results from the 2008 Northern Ireland Annual Business Inquiry (NIABI) estimate the level of turnover within the high export group to be approximately £1,195.0 million.

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 2008, exports within the high export potential category accounted for 18.8% of total sales; this proportion is relatively small when compared to the Manufacturing sector. The 2008/09 Manufacturing Sales and Exports Survey estimates exports made by manufacturing businesses to account for approximately 36.3% of all sales.

- **Exports account for approximately 18.8% of total sales in the high export potential group.**

Table 3 provides information on the levels of sales and exports for each of the high export potential categories. It is evident that some sectors are more export intensive than others. For example, the Market Research and Computer & Related Activities sectors generate around one third of its sales from exports (35.1% and 33.5% respectively). The Research and Development sector and Business Management & Consultancy Activities attribute about a quarter (26.5% and 26.4% respectively) of its sales to international customers (exports).

Exports within the Research and Development sector reported the largest percentage decrease in exports as a proportion of total sales by sector, decreasing from 60.4% in 2007 to 26.5% in 2008. The Market Research sector had the largest percentage increase in exports as a proportion of sales, increasing from 7.4% to 35.1% over the year.

Table 3: Exports as a proportion of Sales 2007 and 2008

Sector	2007			2008		
	Exports	Sales	%	Exports	Sales	%
Computer & Related Activities	£102.4m	£424.3m	24.1%	£144.8m	£431.9m	33.5%
Architectural & Engineering Activities and Technical Testing & Analysis[1]	£34.0m	£235.7m	14.4%	£32.1m	£411.8m	7.8%
Research & Development	£16.2m	£26.8m	60.4%	£15.4m	£58.1m	26.5%
Business & Management Consultancy Activities	£14.6m	£54.7m	26.6%	£22.5m	£85.3m	26.4%
Advertising	£5.7m	£28.1m	20.3%	£3.2m	£76.4m	4.2%
Market Research	£1.1m	£14.7m	7.4%	£1.9m	£5.5m	35.1%
Creative Entertainment	£7.1m	£133.2m	5.4%	£4.9m	£126.0m	3.9%
Total	£181.1m	£917.5m	19.7%	£224.8m	£1195.0m	18.8%

Note 2008 ABI sales figures are provisional
Figures may not add back due to rounding

DESTINATION OF SERVICE EXPORTS

It has been possible to publish data on the destination of exports within the high export potential sector since 2005. Previous data, where available, can now be accessed on the DETI website. Data is presented on a broad destination basis, showing the value of exports to the Republic of Ireland (ROI), the Rest of European Union[1] (REU) and to the Rest of the World[2] (ROW).

Over the year the value of exports to ROI has increased by 7.8% to £67.6m in 2008. The proportion of exports going to the Republic of Ireland (ROI) has been relatively stable over the years (37.9% in 2005, 35.7% in 2006, 36.4% in 2007) however there was a slight drop to 30.1% in 2008.

1 The Rest of EU is composed of the following countries: Germany; France; Belgium; Luxembourg; Netherlands; Italy; Denmark; Portugal; Spain; Greece; Austria; Sweden; Finland and since May 2004, the following accession countries; Cyprus; Czech Republic; Estonia; Hungary; Latvia; Lithuania; Malta; Poland; Slovakia, Slovenia and since January 2007 Romania and Bulgaria joined the EU.

2 The Rest of World refers to all destinations outside the European Union.

Table 4, below, shows the value of exports to each broad destination by sector 2005 to 2008.

Architectural & Engineering Activities and Technical Testing & Analysis exports to ROI fell slightly from £31.2 million to £27.8 million representing an annual decrease of 11.0%.

Exports to REU appear to be quite volatile, 2005 to 2006 saw an increase of 35.2%, 2006 to 2007 denoted a decrease of 31.1% while there was an increase of 374.3% from 2007 to 2008. This increase was driven by an increase in the Computer & Related activities sector.

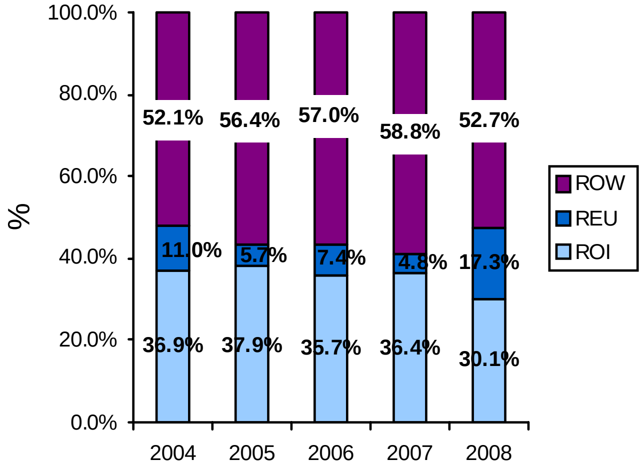
Exports to the Rest of World also showed an increase in the Computer & Related activities sector, increasing from £73.0 million in 2007 to £87.2 million in 2008. The Research & Development sector noted a substantial decrease in trade to ROW with an decrease of 37.3% (£15.0 million in 2007 to £9.4 million in 2008).

Table 4: Destination of Exports made by High Export Potential companies in 2005 - 2008 by Sector

	2005			2006			2007			2008		
Sector	ROI	REU	ROW	ROI	REU	ROW	ROI	REU	ROW	ROI	REU	ROW
Computer & Related Activities	£19.9m	£3.2m	£68.2m	£19.8m	£8.4m	£69.3m	£22.8m	£6.6m	£73.0m	£26.1m	£31.7m	£87.2m
Architectural & Engineering Activities and Technical Testing & Analysis1	£26.4m	*	*	£24.7m	£1.4m	£3.6m	£31.2m	£0.2m	£2.7m	£27.8m	£0.2m	£4.1m
Research & Development	£0.3m	£2.5m	£10.2m	*	*	£10.7m	*	*	£15.0m	£0.5m	£5.5m	£9.4m
Business & Management Consultancy Activities	£2.4m	£2.1m	£6.8m	£2.7m	£0.6m	£8.0m	£3.5m	£0.6m	£10.5m	£5.4m	£1.2m	£15.8m
Advertising	£6.0m	£0.0m	£0.0	£7.9m	*	*	£5.7m	£0.0m	£0.0m	£3.1m	*	*
Market Research	£1.8m	*	*	*	*	*	*	*	*	*	*	*
Creative Entertainment	£1.5m	£0.0m	£0.0m	£1.0m	*	*	£4.5m	*	*	£2.9m	*	*
Total	£58.3m	£8.8m	£86.7m	£57.5m	£11.9m	£91.9m	£62.7m	£8.2m	£101.2m	£67.6m	£38.8m	£118.4m

1 These industries have been combined to help avoid disclosure
* Figures have had to be suppressed to avoid disclosure, r – revised data
Figures may not add due to rounding

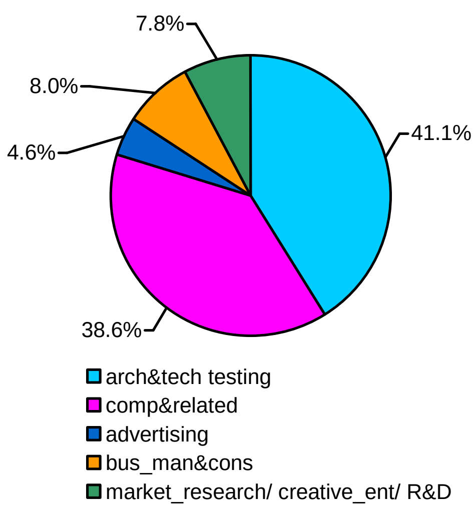
Figure 4: Proportion of Exports made by High Export Potential Group to Broad Destination



The only Broad Destination to report a substantial annual percentage increase in the proportion of exports since 2004 is Rest of EU, rising from 11.0% in 2004 to 17.3% in 2008. Rest of World increased from 52.1% in 2004 to 58.8% in 2007 and fell back to 52.7% in 2008. The ROI has fallen from 36.9% in 2004 to 30.1% in 2008. The Rest of EU and ROI appear to have the opposite effect to each other i.e. as Rest of EU experiences an annual percentage decrease in proportion of exports Republic of Ireland experiences an increase and vice versa.

EXPORTS BY SECTOR & BROAD DESTINATION

Figure 5: Proportion of Exports to ROI by Sector



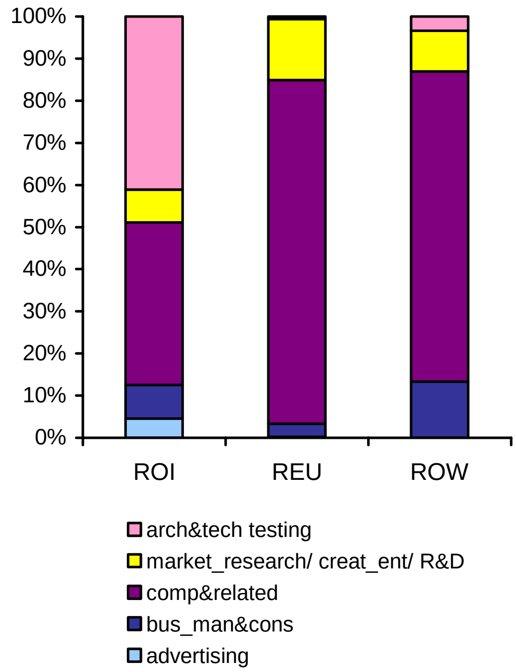
ROI

Figure 5, above, shows the proportion of exports made by each high export potential sector to the Republic of Ireland in 2008. The Architectural & Technical Testing sectors represent the largest exporting group (41.1%). The Computer & Related Activities sector is the second highest exporter to ROI, with a proportion of 36.6%. Between these two sectors, they contribute over three-quarters (79.7%) of exports to ROI.

REU & ROW

Although every sector within the high export potential group exported services to the Republic of Ireland, fewer sectors exported to REU and ROW. Figure 6, below, shows that the Computer & Related activities sector was the greatest exporter to both REU and ROW in 2008, representing 81.6% of all exports to REU and 73.6% of those to ROW. Business & Management Consultancy Activities account for the second largest share of exports to ROW in 2008 (13.3%) when exports increased over the year from £10.5 million in 2007 to £15.8 million in 2008.

Figure 6: Proportion of exports by destination and sector



INVEST NI CLIENT COMPANY EXPORTS WITHIN THE HIGH EXPORT POTENTIAL GROUP

One of Invest NI's key functions is to provide a range of advice, assistance and support to help both first-time and seasoned exporters to enhance their skills and expertise to compete in world markets. Not surprisingly, Invest NI clients account for a high proportion of both the companies which export services and the value of such exports.

- **Invest NI client companies account for four-fifths (81.9% or £184.1million) of total exports made by companies within the high export potential group.**

- **The value of export of services amongst Invest NI clients has risen over the year, from £143.5million (revised) in 2007 to £184.1million in 2008.**

- **The increase in Invest NI supported companies over the year (28.3%) is greater than that reported for the high export potential sectors as a whole (24.1%). It was also higher than the increase in Invest NI supported companies (11.4%) recorded over the previous year (2006 to 2007).**

Invest NI clients were key contributors to the overall value and individual sector levels of exports in 2008. In particular, client companies accounted for 99.6% of exports made by Research & Development companies and 97.6% of exports made by companies classified within the Computer and Related Activities industry.

Non High Export Potential Sectors

3

Please note: All figures are provisional and subject to revision to take account of additional information.

MANUFACTURING

The Northern Ireland Manufacturing Sales and Exports Survey (MSES) is an annual survey of all businesses classified within the Manufacturing industry (SIC (03) divisions 15-37) in NI.

Manufacturing businesses were asked via the survey to confirm their level of exports and also to provide information on the proportion of exports which were service exports.

This section provides provisional results for 2008/09 and revised results for 2007/08 as published in December 2009. Returns to the survey have been validated and supplemented by information from both the International Trade in Services and the NI Annual Business Inquiry.

In 2008/09, service exports by manufacturing businesses were estimated to be worth £68.9 million, increasing by 11.5% (£7.1million) over the year (2007/08 to 2008/09). The value of manufacturing service exports equates to 1.2% of the total value of exports (£5.9billion) from Northern Ireland manufacturing businesses in 2008/09.

- **In 2008/09, the value of exports of services from Northern Ireland Manufacturing businesses was estimated to be worth £68.9 million.**

- **The incidence of Manufacturing companies diversifying into service exports has increased in 2008/09. Of the responses received, 63.3% reported no exports of services compared to 85.5% in 2007/08.**

Table 5 details the level of service exports made by each of the manufacturing subsectors in 2008/09. Results relate to those businesses employing 10 or more persons, to remain consistent with the High Export Group.

Table 5: Export of Services by Manufacturing Subsector, 2008/09

		Total Export of Services (p)	
SIC(03) Division	Industrial sector	£million	%
27-28	Basic Metals & Fabricated Metal Products	£17.2	25.0%
30-33	Electrical & Optical Equipment	£14.3	20.8%
21-22	Paper & Printing	£8.7	12.6%
20	Wood & Wood Products	£5.9	8.6%
36-37 & 23	Other Manufacturing not elsewhere classified	£5.6	8.1%
29	Other Machinery & Equipment	£4.8	7.0%
34-35	Transport Equipment	£4.4	6.4%
26	Other Non-Metallic Mineral Products	£3.1	4.5%
25	Rubber & Plastics	£2.9	4.2%
17-19	Textiles, Clothing & Leather	£1.1	1.7%
15-16	Food, Drink & Tobacco	£0.8	1.2%
24	Chemicals & Man-Made Fibres	£0.0	0.0%
	Total	£68.9	100.0%
(p) = provisional	*Note: Figures may not add due to rounding*		

- **The Basic Metals & Fabricated Metal Products sector reported the highest level of service exports (£17.2 million) within the manufacturing industries, accounting for a quarter of total service exports (25.0%).**

- **The Electrical & Optical Equipment sector has returned the second highest level of export of services (£14.3m), accounting for 20.8% of service exports.**

- **Each of the 12 manufacturing subsectors reported some level of export of services, ranging from a minimal level in Chemicals & Man Made Fibres (SIC 24) through to the highest level reported in the Basic Metals & Fabricated Metal Products sector (Sic 27-28).**

Table 6, below, provides information on the level of service exports within the manufacturing industries as a proportion of total exports. When the level of total exports within each sector are considered, the Basic Metals & Fabricated Metal Products sector service exports account for the largest proportion (5.6%) followed by the Wood and Wood Products (5.2%).

Table 6: Export of Services as a Proportion of Total Exports by Manufacturing Subsector, 2008/09

	Total Export of Services	Total Exports[1]	Service Exports as a % of Total Exports[1]
SIC(03) Division	£m	£m	%
27-28	£17.2	£308.6	5.6%
30-33	£14.3	£1,352.1	1.1%
21-22	£8.7	£181.0	4.8%
20	£5.9	£114.1	5.2%
36-37 & 23	£5.6	£375.2	1.5%
29	£4.8	£732.9	0.7%
34-35	£4.4	£690.4	0.6%
26	£3.1	£147.4	2.1%
25	£2.9	£463.8	0.6%
17-19	£1.1	£88.4	1.3%
15-16	£0.8	£1,031.9	0.1%
24	£0.0	£404.9	0.0%
Manufacturing	£68.9	£5,890.7	1.2%

[1]Total exports relate to figures published within the Manufacturing Sales and Export Survey 2008/09 published in December 2009 and refer to the level of exports of all businesses classified within Manufacturing
Note: Figures may not add due to rounding

- **The Basic Metals & Fabricated Metal Products sector like the Wood & Wood Products sector generate service exports through the provision of services such as design and installation.**

- **The Paper & Printing sector contributes to service exports by providing design, advertising and publishing services.**

Table 7 shows the annual change in the value of service exports by industrial sector over the year 2007/08 to 2008/09. Manufacturing Service Exports have been estimated to have increased by £7.1m over the year. The sectors 'Paper & Printing ', 'Basic Metal & Fabricated Metal Products' sector and 'Other Non-Metallic Mineral Products' reported decreases of £4.1m, £2.9m and £0.3m respectively, offset by increases in the 'Electrical & Optical Equipment' (£6.2m), 'Other Manufacturing not elsewhere classified' sector (£5.1m) and 'Wood & Wood Products' sector (£1.6m).

Table 7: Annual Change in Export of Services by Industrial Sector, 2007/08 – 2008/09

		Total Export of Services		
SIC(03) Division	Industrial sector	2007/08 (r)	2008/09 (p)	Change £m
15-16	Food, Drink & Tobacco	£0.6	£0.8	£0.2
17-19	Textiles, Clothing & Leather	£1.2	£1.1	-£0.0
20	Wood & Wood Products	£4.3	£5.9	£1.6
21-22	Paper & Printing	£12.7	£8.7	-£4.1
24	Chemicals & Man-Made Fibres	£0.2	£0.0	-£0.1
25	Rubber & Plastics	£2.1	£2.9	£0.8
26	Other Non-Metallic Mineral Products	£3.4	£3.1	-£0.3
27-28	Basic Metals & Fabricated Metal Products	£20.1	£17.2	-£2.9
29	Other Machinery & Equipment	£4.9	£4.8	-£0.0
30-33	Electrical & Optical Equipment	£8.1	£14.3	£6.2
34-35	Transport Equipment	£3.8	£4.4	£0.6
36-37& 23	Other Manufacturing not elsewhere classified	£0.5	£5.6	£5.1
	Manufacturing Total	£61.7	£68.9	£7.1
(p) = provisional	*Note: Figures may not add due to rounding*			

While the 'Electrical & Optical Equipment' sector has experienced the largest increase in share of total manufacturing service exports (increasing from 13.1% to 20.8%) over the year, the Paper & Printing sector has reported the largest decrease over the year, (from 20.6% to 12.6% in 2008/09). It should be noted that the 2008/09 MSES was sampled on a SIC 07 basis and may account for some of the decline in SIC 21-22 as publishing has been re-classified out of manufacturing under SIC 07. Further information on the SIC re-classification can be found in the background notes, section 4.

CONSTRUCTION

Since 2005 the ITIS sample has been boosted to incorporate additional companies in the Construction sector (SIC 45). Previous analysis of the NI Annual Business Inquiry and the Sales and Export Survey provided evidence that Construction companies had a high propensity to export their services. The sample boost along with comparable information from other surveys meant that Construction companies employing 50 or more persons were fully enumerated in the sample with a proportion of companies in the smaller sizebands (10-19 and 20-49) covered. Estimates have been made for all Construction companies employing 10 or more persons, based on an iterative stratification results procedure. Further details on the methodology used for both Manufacturing and Construction can be found in section 4.

- **Provisional results for 2008 estimate that Construction companies in Northern Ireland exported services worth £222.7million.**

- **2008 estimates noted a 11.7% annual increase with revised results for 2007 being estimated at £199.4million.**

- **The number of Construction companies with 10 or more employees also varied from year to year, 944 in 2005, 917 in 2006, 954 in 2007 and 985 in 2008. This can fluctuate due to a number of factors, namely closure of a company, change of industrial activity (SIC) or a company's employees shifting above or below the 10 employee threshold.**

- **The results for the companies who were reported on in both 2007 and 2008 also noted a considerable increase of £47.7 million (29.2%) over the year.**

Value of exports made by the Construction sector, 2006 - 2008

Table 10

Sector	2006	2007	2008
Construction	£203.9m	£199.4m (r)	£222.7m

Note vast changes in figures can be due to change of industrial activity (SIC) or a company's employees shifting above or below the 10 employee threshold
r – revised data

KNOWN VALUE OF TRADE IN SERVICES

The total value of known service exports in the sectors covered, to date, by the survey was estimated to be £516.3 million in 2008. This was comprised of £224.8m for the High Export Potential Group, a further £68.9m from service exports made by the Manufacturing industry and in addition, estimates have been made for the level of service exports made by the Construction industry, valued at £222.7million.

- **Provisional results for 2008 estimate that the total value of known (high export potential combined with Manufacturing and Construction) service exports was £516.3 million.**

- **This represents an increase of 16.7% from the estimate of service sector export activity in 2007 (£442.2million).**

Background Information & Methodology

4

BACKGROUND INFORMATION

The Exporting NI Services study was first introduced for 2003, following a three-year study undertaken by the Economic Research Institute (ERINI), whereby 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, 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. The Northern Ireland survey is 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.

HIGH EXPORT POTENTIAL GROUP RESPONSE RATES

In 2003, the survey was based on 338 businesses which employed 10 or more persons and fell within the high export potential sectors. In 2004, this number dropped slightly to 336 businesses, in 2005 there were 344, in 2006 there were 334, in 2007 there were 323 and this increased to 374 in 2008. The results presented are based on an effective response rate of 96.5%, a small number of estimates based on comparable data were made in addition to this. This resulted in an individual return or estimate being made for each company in the group.

METHODOLOGY USED TO PRODUCE ESTIMATES OF SERVICE ACTIVITY IN THE MANUFACTURING AND CONSTRUCTION SECTORS

All Manufacturing businesses were asked via the DETI Sales and Exports survey whether their business provided services to businesses based outside the UK (exports) and, if so, what proportion of total exports services accounted for. In 2008 businesses were asked to specify the breakdown in the value of exports to clearly identify the value of exports of goods as distinct to the value of exports of services. This has led to better quality responses in the returns received. Information on the Construction sector was collected via a boosted sample to the International Trade in Services (ITIS) Survey. Information for both sectors was then validated and supplemented using a range of information from comparable surveys. Estimates were made, for those companies which failed to respond or which had not been sampled, using an iterative stratification process based on the employment sizeband and Standard Industrial Classification (SIC) code. Returns were stratified and exports as a proportion of turnover were calculated according to SIC and size, these proportions were then applied to those companies which required estimates and multiplied by the registered turnover to derive individual exports estimates. The population used was the Inter Departmental Business Register (IDBR) which holds details of all businesses registered for VAT or operating a PAYE scheme. The information on turnover, SIC and employee size were taken from the IDBR.

Further information on the methodology used can be obtained using the contact details in Chapter 5.

FUTURE DEVELOPMENTS IN MEASURING EXPORTS IN SERVICES

The ENIS Study now comprehensively measures the level of service export activity in the High Export Potential Sector, the Manufacturing Sector and the Construction Sector. Various initiatives are in place to monitor other sectors, through surveys such as the NI Annual Business Inquiry and the Manufacturing Sales and Export Survey. If evidence of substantial trade activity is found in other sectors, the ITIS sample will be boosted further.

STANDARD INDUSTRIAL CLASSIFICATION 2007

Users may be aware that the Office for National Statistics in conjunction with various stakeholders has implemented major revisions to the UK Standard Industrial Classification of Economic Activities (SIC). As a result the SIC 2003 categorisation of business activities has been replaced and updated by the new SIC 2007 activity codes. These changes will eventually be rolled out to all individual UK business surveys and is in line with the major revision to the European Union's industrial classification system, NACE.

The UK is required by European legislation to revise the SIC in parallel with NACE so that both systems remain identical down to and including the 4 digit class level. These revisions are motivated by the need to adapt the classifications to changes in the world economy. The revised classifications reflect the growing importance of service activities in the economy over the last fifteen years, mainly due to the developments in information and communication technologies (ICT).

More information on the extent of the revisions and correspondence between SIC 2007 and the existing SIC 2003 can be accessed via the following link:
http://www.ons.gov.uk/about-statistics/classifications/future-developments/operation-2007/index.html

The 2009 IT IS survey has been sampled on a SIC 07 basis. The Exporting Northern Ireland Services Study results therefore will be produced on a SIC 07 basis for the first time in early 2011.

Although the results in this report are on a SIC03 basis the 2008/09 Manufacturing Sales and Exports Survey was sampled on a SIC07 basis and may account for some of the sub-section changes reported within the manufacturing sector.

Subject to further analysis, the information in this bulletin will be used to measure progress towards Public Service Agreement 1 (PSA 1) and its related sub-indicators.

Further information regarding PSA 1 can be found via the following link:

http://www.detini.gov.uk/psa1_delivery_agreement_-_pdf_version_for_website.pdf

Contact Information

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Back series of data, where available, can be accessed on the DETI website via the following link:

http://www.detini.gov.uk/deti-stats-index/stats-surveys/stats-exporting-ni-services.htm

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

Further information on the Northern Ireland Manufacturing Sales and Exports Survey can be accessed via the following link:

http://www.detini.gov.uk/deti-stats-index/stats-surveys/stats-manufacturing-sales-exports.htm