

**LINKS BETWEEN DOMESTIC SERVICES AND TRADE IN SERVICES :**  
**UNITED KINGDOM**

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**Introduction**

1. The United Kingdom has relied on surveys since the early 1970's for much of its trade in services data. Over the past three years the conduct of most of these surveys has been increasingly concentrated in the Central Statistical Office (CSO) as part of a rationalisation of balance of payments data collection. The CSO now has a policy of making surveys statutory and collecting data quarterly in most cases, rather than annually. International trade in services inquiries cover enterprises in all sectors of the economy, not solely those in the services sector.

2. Over the past two years the CSO has started a programme to integrate its information on enterprises who have trade in services with its general business register, which is used for domestic surveys, including surveys of service trades. For the financial sector, information on international trade in services is usually obtained via integrated income and expenditure returns, which cover all activities, both domestic and international. For non-financial sectors, separate inquiries on international trade in services are carried out, although occasionally (for example for process engineers) domestic and international turnover is collected together.

**The CSO's Business Register**

3. The CSO has a business register which is used for domestic censuses and surveys. It was used initially primarily for surveying the production industries but since the mid 1970's it has been used increasingly for domestic services inquiries. The register is maintained using records from the Value Added Tax (VAT) authorities who submit regular updates on matters such as turnover, new firms and firms that have ceased trading. (Other

sources are also used for updating.)

4. The CSO is currently undertaking a major redevelopment of its register, which is being amalgamated with the register used by the United Kingdom's Employment Department to form an Inter Departmental Business Register (IDBR), which will have details of employment as well as total turnover for firms; coverage of small firms below the VAT registration threshold will also be improved. The structure of the IDBR's records has been designed to accommodate the needs of trade in services inquiries (see below).

#### **The Requirements of Trade in Services Inquiries**

5. Trade in services inquiries in the United Kingdom have traditionally used lists of enterprises known to be active in a particular area of services. Thus commodity traders, merchanting houses and legal firms were all surveyed using separate lists. Consultants were surveyed via their professional bodies. In addition there has been a Royalties and Miscellaneous Services Inquiry (RASI) designed to cover enterprises in those sectors which were not covered by activity-specific inquiries, that is the production industries which have extensive service transactions, often with overseas affiliates; in distribution; and in miscellaneous services such as the arts and entertainment.

6. The activity-specific inquiries are now increasingly making use of the business register to draw their samples, that is moving from an activity to a industry basis. Also, some domestic surveys have carried filter questions designed to identify firms which have significant international trade in services. The information from these filter questions has been used to design appropriate samples for industry-specific trade in services inquiries. In addition the filter questions have been used in, for example, the UK's Annual Census of Production to identify businesses which should be included in the RASI.

7. It is proposed that three specific features for trade in services will be included in the IDBR. First, trade in services turnover data will be held on the register to allow its use as a stratification variable. The variable will allow the inclusion of a simple flag where the turnover is not known. Second, the IDBR will be able to hold links between enterprise groups and the enterprises that comprise the group. This is particularly important since the RASI tends to cover enterprise groups, whereas the activity specific inquiries normally approach individual enterprises. It is, therefore, vital if duplication is to be avoided to be able to exclude enterprises which are part of an enterprise group that is covered in the RASI or, alternatively, to ask the enterprise group to exclude enterprises within the group that are surveyed separately.

8. Third, information on the firms who submit data via the INTRASTAT visible trade system, which becomes operational in 1993 and is VAT based, will be added to the IDBR. For the larger firms visible trade turnover data will be held; for smaller firms a simple flag will be used. Firms who undertake international trade in goods are thought to be more likely also to undertake trade in services than other firms. These arrangements will enable enterprises reporting international trade in services to be more effectively classified on a similar basis to those in other inquiries into domestic activities.

#### **The Treatment of Exports and Imports**

9. Exports of services are largely concentrated amongst firms with certain main activities for example consultancy and telecommunications. However, imports of services can, potentially, occur anywhere in the economy. The proportion of, say, manufacturing firms importing services may well be quite small and the amounts may also be quite small and variable. It can therefore be expensive and inefficient to survey large numbers of firms which are not known from other information to be active in trade in services. The CSO, therefore, is building

up information on trade in services, particularly amongst small firms progressively, and plans to hold this information on the IDBR. The information may be collected partly via register proving for new firms, partly via filter questions on domestic surveys and partly via special targeted surveys.

## **Conclusion**

10. In the medium term the CSO expects that trade in services inquiries will be drawn from the IDBR, using the activity codes (industrial classification) used for domestic surveys. Therefore, estimates of trade in services will be based on a common coverage and classification as estimates of domestic services based on inquiries. For the time being information on trade in services and on domestic services will continue to be collected in separate inquiries but in due course we will also be examining the possibility of combining the questions in a single inquiry to increase compatibility. The financial sector will continue to be covered by integrated inquiries covering both overseas and domestic services.

11. The collection of data on trade in services raises many issues for discussion. Three topics are:-

i. The construction of appropriate registers. The use of filter questions in existing surveys provides one approach to gradual improvement but particularly on the import side has some limitations. In practice the process of gradual improvement of UK inquiries has not so far indicated past major deficiencies, but any practical experience that exists elsewhere, in particular of the effectiveness of linking with trade in visible goods, would be of interest.

ii. Definitions. Financial services is the area where definitional problems are most pressing. Perhaps the major concern in the inquiries run by the

UK is the increasing diversity of services offered by single concerns, which sets up a tension between selecting types of concerns and types of services offered.

iii. Link with domestic surveys. The paper describes the gradual process of increasing compatibility with domestic inquiries. The move to common registers and units helps to achieve this, but no work has yet been done at individual company level to establish whether returns provided to domestic and overseas inquiries are consistent. Any experience of such comparisons would be of interest.

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