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Exporting Northern Ireland Services Study 2007

31 March 2009

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EXPORTING NORTHERN IRELAND SERVICES STUDY (EXPERIMENTAL) 2007

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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 2007 survey show that, firms classified within the High Export Potential Group employing 10 or more people, exported services valued at £172.3million, this marked an annual increase of £11.0million (6.8%). This is higher than the annual growth experienced in the previous year (2005 to 2006) when the annual growth rate was 4.9%.

- The Computer Industry continues to contribute the highest level of Exports, accounting for 59.6% (£102.7m) of the total services exported by the high export group.

- Just over a third (36.5%) of exports made by the high export group are destined for the Republic of Ireland.

- In 2007, Invest NI client companies accounted for more than four-fifths (82.3% or £141.8m) of total exports made by companies within the high potential group.

- In 2007, the value of exports of services from NI Manufacturing businesses was estimated to be worth £54.0million, increasing from £45.8million over the year (2006 to 2007).

- The value of services from Construction companies was £199.4million, representing a decrease of £4.5million over the year (2006 to 2007).

- 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 £425.7million export of services, increasing from £411.0million in 2006.

Department of Enterprise,
Trade and Investment

Exporting Northern Ireland Services Study 2007

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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 (35.1%) 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 refers to 2003, acts as a baseline to monitor the progress of the High Export Potential Sector. This latest report contains 2007 provisional results, revised 2006, 2005, 2004 and 2003 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. 334 such businesses were selected in 2006 and 323 were selected in 2007.

EXPORT OF SERVICES BY THE HIGH POTENTIAL GROUP

Revised 2006 and provisional 2007 results from the Exporting Northern Ireland Services (ENIS) study estimate that:

- **In 2007, the High Export Potential Group exported services valued at £172.3million, and revised 2006 results at £161.3million an annual increase of £11.0million (6.8%).**

- **The rate of annual growth (6.8%) is higher than that of the previous year (2005 to 2006) when the rate of growth was 4.9%.**

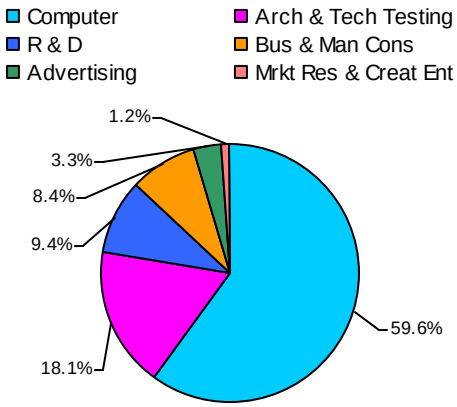
- **The four year growth rate from 2003 to 2007 was 41.9% (£50.9million), showing there has been an overall considerable rise in the trade of services in the high potential group.**

- **The largest annual percentage increase was in the Business & Management Consultancy sector which reported a percentage increase of 29.2% (£3.3million).**

Figure 1, below, displays the contribution each sector makes to the overall level of exports within the High Export group in 2007.

Proportion of Exports made by Industries within the High Export Potential Group in 2007

Figure 1



EXPORTS AS A PROPORTION OF SALES

In 2007, exports within the high export potential category accounted for approximately 17.9% of total sales. Some sectors are more export intensive than others.

- **The Research and Development sector generates over half (59.6%) of its sales from exports whereas exports within the Architectural & Engineering sector account for only 13.2% of its total sales.**

DESTINATION OF EXPORTS

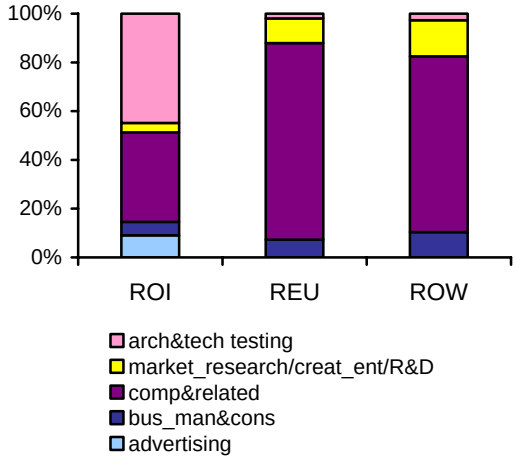
It has been possible to publish data on the destination of exports within the high export potential sector for the years 2004 - 2007.

- **There have been slight annual fluctuations in the percentage of exports going to the Republic of Ireland (ROI) but on the whole they have not been dissimilar over the years, 36.9% in 2004, 37.9% in 2005, 35.7% in 2006 and 36.5% in 2007.**

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

Proportion of exports by destination and sector

Figure 2



INVEST NI CLIENT EXPORTS WITHIN THE HIGH EXPORT POTENTIAL GROUP

- **In 2007, Invest NI client companies accounted for four-fifths (82.3%) of total exports made by companies within the High Potential group.**
- **The increase in Invest NI supported companies over the year (10.1%) is greater than that reported for the high export potential sectors as a whole (6.8%).**

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 2007/08, the value of exports of services from Northern Ireland Manufacturing businesses was estimated to be worth £54.0million an increase of 17.9% 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 2007 estimate that Construction companies in Northern Ireland exported services worth £199.4million. This represented a decrease of 2.2% over the year.**

High Export Potential Group, 2003-2007

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2007 results are provisional and subject to revision. 2006 results have been revised to take account of additional information.

In 2007, 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 98.8% 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 2007 survey show that:

- **In 2007, the High Export Potential Group exported services valued at £172.3million, this represents an annual increase of £11.0million or 6.8%.**
- **The rate of annual growth (6.8%) is higher than that of the previous year (2005 to 2006) when the rate of growth was 4.9%.**
- **The growth rate from 2003 to 2007 of 41.9% (£50.9million) 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 Business & Management Consultancy sector which reported a percentage increase of 29.2% (increase of £3.3million).**

CHANGE OVER TIME

Within the high export group the Business & Management Consultancy sector was the sector to show most improvement over the year and has nearly doubled its exports over the four year period from £7.5million in 2003 to £14.5million in 2007 representing an increase of 94.3%.

In 2007, the high export potential group sectors varied greatly in their annual changes, four out of the seven high export potential sectors reported annual percentage increases namely Research & Development (28.0%), Business & Management Consultancy (29.2%), Computer & Related Activities (5.3%) and Architectural & Engineering and Technical Testing & Analysis (4.8%) while the remainder of the high export potential groups reported decreases in their exports of services.

Advertising, Market Research and Creative Entertainment industries each noted a negative annual percentage change, representing a combined decrease of £2.5million. However, it is worth noting these sectors report the smallest 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 2003 and 2007.

Value of Exports made by High Export Potential companies in 2003 to 2007 (£ million)
Table 1

Sector	2003	2004	2005	2006	2007 (provisional)	% change 2003-2007	% change over year
Computer & Related Activities	£80.6m	£79.6m	£91.2m	£97.5m	£102.7m	27.4%	5.3%
Architectural & Engineering Activities and Technical Testing & Analysis[1]	£20.0m	£26.6m	£29.0m	£29.7m (r)	£31.1m	55.3%	4.8%
Research & Development	£10.0m	£11.2m	£12.9m	£12.7m	£16.2m	61.6%	28.0%
Business & Management Consultancy Activities	£7.5m	£7.9m	£11.3m	£11.2m (r)	£14.5m	94.3%	29.2%
Advertising	£1.4m	£4.0m	£6.0m	£7.9m	£5.7m	308.2%	-27.5%
Market Research	£0.9m	£1.3m	£1.9m	£1.4m	*	*	*
Creative Entertainment	£1.0m	£1.2m	£1.5m	£1.0m	*	*	*
Total	£121.4m	£131.7m	£153.8m	£161.3m (r)	£172.3m	41.9%	6.8%

1 These industries have been combined to avoid disclosure, r – revised data
* Figures have had to be suppressed to avoid disclosure
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 £102.7m in 2007, this marked an annual increase of £5.2million or 5.3%. The computing industry continues to be the dominant sector within High Export Potential Group, accounting for 59.6% of total service exports, this percentage has remained almost 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 59.6% (£102.7m) of the total services exported by the high potential group.**

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 18.1% or £31.1million of total exports in the high export group in 2007. 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 (2003 to 2007), the proportion of exports made by the Advertising sector increased from 1.2% to 3.3%. Although this proportion is small and it reported an annual percentage decrease, this sector has the highest percentage change over the four years (308.2%) increasing from £1.4m to £5.7m.

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

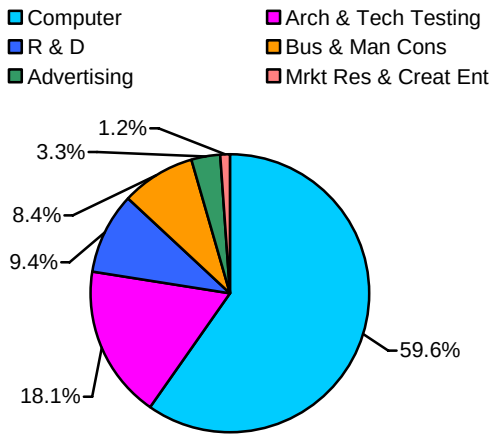
Proportion of Exports made by Sectors in the High Export Potential group, 2003 to 2007
Table 2

Sector	2003	2004	2005	2006	2007
Computer & Related Activities	66.4%	60.4%	59.3%	60.4%	59.6%
Architectural & Engineering Activities and Technical Testing & Analysis[1]	16.5%	20.2%	18.9%	18.4%	18.1%
Research & Development	8.3%	8.5%	8.4%	7.8%	9.4%
Business & Management Consultancy Activities	6.2%	6.0%	7.4%	7.0%	8.4%
Advertising	1.2%	3.1%	3.9%	4.9%	3.3%
Market research	0.7%	1.0%	1.2%	0.9%	*
Creative Entertainment	0.8%	0.9%	1.0%	0.6%	*
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Figures may not add back to the total due to rounding
* Figures have had to be suppressed to avoid disclosure

Figure 3, below, illustrates the proportion accounted for by each high export sector in 2007. From this chart it is evident that the Computer Industry sector and the Architectural Engineering & Technical Testing sectors combined account for the majority (78.0%) of service exports.

Proportion accounted for by each high export sector, 2007
Figure 3



EXPORTS AS A PROPORTION OF TOTAL SALES

Provisional results from the 2007 Northern Ireland Annual Business Inquiry (NIABI) estimate the level of turnover within the high export group to be approximately £962.3million.

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 2007, exports within the high export potential category accounted for 17.9% of total sales; this proportion is relatively small when compared to the Manufacturing sector. The 2007/08 Manufacturing Sales and Exports Survey estimates exports made by manufacturing businesses to account for approximately 35.1% of all sales.

- **Exports account for approximately 17.9% 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 Research and Development sector generates over half (59.6%) of its sales from exports, Business Management & Consultancy Activities and the Computer & Related Activities sector attributes almost a quarter (24.5% and 22.1% respectively) of its sales to international customers (exports).

Exports within the Advertising sector reported the largest percentage decrease in exports as a proportion of total sales by sector, decreasing from 36.3% in 2006 to 20.3% in 2007.

Exports as a proportion of Sales 2006 and 2007
Table 3

Sector	2006			2007		
	Exports	Sales	%	Exports	Sales	%
Computer & Related Activities	£97.5m	£349.10m (r)	27.9%	£102.7m	£464.0m	22.1%
Architectural & Engineering Activities and Technical Testing & Analysis[1]	£29.7m (r)	£203.30m (r)	14.6%	£31.1m	£235.9m	13.2%
Research & Development	£12.7m	£26.0m (r)	48.7%	£16.2m	£27.2m	59.6%
Business & Management Consultancy Activities	£11.2m (r)	£52.2m (r)	21.5%	£14.5m	£59.2m	24.5%
Advertising	£7.9m	£21.7m(r)	36.3%	£5.7m	£28.1m	20.3%
Market Research	£1.4m	£14.7m (r)	9.5%	*	*	*
Creative Entertainment	£1.0m	£150.0m (r)	0.7%	*	*	*
Total	£161.3m (r)	£816.9m (r)	19.7%	£172.3m	£962.3m	17.9%

Note 2007 ABI sales figures are provisional
*Figures have had to be suppressed to avoid disclosure, r – revised data
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, it is now available for the years 2004 to 2007. Data is presented on a broad destination basis, showing the value of exports to the Republic of Ireland (ROI), the Rest of Europe[1] (REU) and to the Rest of the World[2] (ROW).

Over the year the value of exports to ROI has increased by 9.4% to £62.9m in 2007. There have been slight annual fluctuations in the percentage of exports going to the Republic of Ireland (ROI) but on the whole they have not been dissimilar over the years, 36.9% in 2004, 37.9% in 2005, 35.7% in 2006 and 36.5% in 2007.

[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 and Slovenia.
[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 2004 to 2007.

Exports to REU appear to be quite volatile, 2006 to 2007 denoted a decrease of 31.2% while 2005 to 2006 saw an increase of 35.1%. The only sector in the high export potential group not to experience a decrease in the quantity of exports to REU was Business & Management Consultancy Activities who remained static at £0.6million.

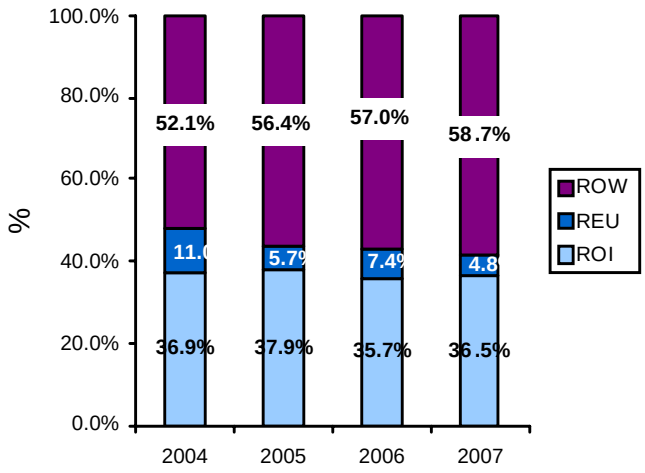
In the Computer & Related activities sector, the biggest percentage increase was to ROI where the value increased from £19.8million in 2006 to £23.1million in 2007. Architectural & Engineering Activities and Technical Testing & Analysis Advertising also saw a considerable increase in exports to ROI, going from £24.7million to £28.2million representing an annual increase of 14.3%. The Research & Development sector noted a significant increase in trade to ROW with an increase of 40.3% (£10.7million in 2006 to £15.0million in 2007).

Destination of Exports made by High Export Potential companies in 2004 - 2007 by Sector
Table 4

	2004			2005			2006			2007		
Sector	ROI	REU	ROW	ROI	REU	ROW	ROI	REU	ROW	ROI	REU	ROW
Computer & Related Activities	£18.2m	£6.9m	£54.5m	£19.9m	£3.2m	£68.2m	£19.8m	£8.4m(r)	£69.3m(r)	£23.1m	£6.6m	£73.0m
Architectural & Engineering Activities and Technical Testing & Analysis[1]	£21.6m	*	*	£26.4m	*	*	£24.7m (r)	£1.4m	£3.6m	£28.2m	£0.2m	£2.7m
Research & Development	£0.4m	£3.8m	£7.0m	£0.3m	£2.5m	£10.2m	*	*	£10.7m	*	*	£15.0m
Business & Management Consultancy Activities	*	£2.4m	*	£2.4m	£2.1m	£6.8m	£2.7m (r)	£0.6m	£8.0m (r)	£3.4m	£0.6m	£10.5m
Advertising	*	*	*	£6.0m	£0.0m	£0.0m	£7.9m	*	*	£5.7m	£0.0m	£0.0m
Market Research	£1.3m	£0.0m	£0.0m	£1.8m	*	*	*	*	*	*	*	*
Creative Entertainment	£1.2m	£0.0m	£0.0m	£1.5m	£0.0m	£0.0m	£1.0m	*	*	*	*	*
Total	£48.6m	£14.4m	£68.7m	£58.3	£8.8m	£86.7m	£57.5m	11.9m(r)	£91.9m	£62.9m	£8.2m	£101.2m

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

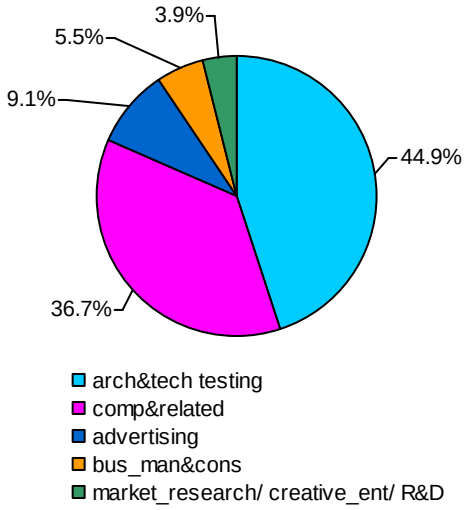
Proportion of Exports made by High Export Potential Group to Broad Destination
Figure 4



The only Broad Destination to report an annual percentage increase in the proportion of exports since 2004 is Rest of the World, rising from 52.1% in 2004 to 58.7% in 2007. Rest of Europe and Republic of Ireland appear to have the opposite effect to each other i.e. as Rest of Europe experiences an annual percentage decrease in proportion of exports Republic of Ireland experiences an increase and vice versa.

EXPORTS BY SECTOR & BROAD DESTINATION

Proportion of Exports to ROI by Sector
Figure 5



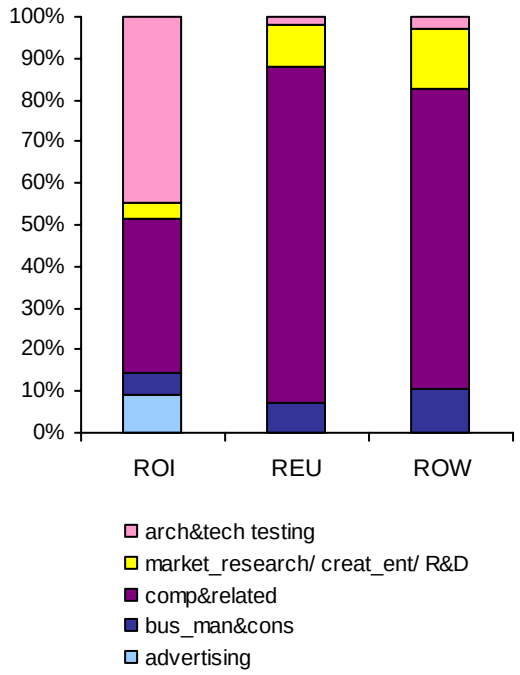
ROI

Figure 5, above, shows the proportion of exports made by each high export potential sector to the Republic of Ireland in 2007. The Architectural & Technical Testing sectors represent the largest exporting group (44.9%) The Computer & Related Activities sector is the second highest exporter to ROI, with a proportion of 36.7%. Between these two sectors, they contribute over three-quarters (81.6%) 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 2007, representing 80.6% of all exports to REU and 72.1% of those to ROW. The Research and Development sector accounts for the second largest share of exports to ROW in 2007 (14.8%) when exports increased over the year from £10.7million in 2006 to £15.0million in 2007.

Proportion of exports by destination and sector
Figure 6



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 (82.3% or £141.8million) 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 £128.8million (revised) in 2006 to £141.8million in 2007.**

- **The increase in Invest NI supported companies over the year (10.1%) is greater than that reported for the high export potential sectors as a whole (6.8%). It was also higher than the increase (2.8%) recorded over the previous year (2005-06).**

Invest NI clients were key contributors to the overall value and individual sector levels of exports in 2007. In particular, client companies accounted for 99.4% of exports made by Research & Development companies and 98.0% 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 2007/08 and revised results for 2006/07. 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 2007/08, service exports by manufacturing businesses were estimated to be worth £54.0 million, increasing by 17.9% (£8.2million) over the year (2006/07 to 2007/08). The value of manufacturing service exports equates to 1.0% of the total value of exports from Northern Ireland manufacturing businesses, estimated to be worth £5.5 billion in 2007/08.

- **In 2007/08, the value of exports of services from Northern Ireland Manufacturing businesses was estimated to be worth £54.0 million.**

- **The incidence of Manufacturing companies diversifying into service exports appears to be relatively limited. Of the responses received, 85.5% reported no exports of services.**

Table 5 details the level of service exports made by each of the manufacturing subsectors in 2007/08. Results relate to those businesses employing 10 or more persons, to remain consistent with the High Export Group.

Export of Services by Manufacturing Subsector, 2007/08

Table 5

		Total Export of Services (p)	
SIC(03) Division	Industrial sector	£million	%
27-28	Basic Metals & Fabricated Metal Products	£13.6	25.1%
21-22	Paper & Printing	£12.7	23.6%
30-33	Electrical & Optical Equipment	£7.4	13.6%
29	Other Machinery & Equipment	£4.6	8.5%
20	Wood & Wood Products	£4.3	7.9%
34-35	Transport Equipment	£3.7	6.9%
26	Other Non-Metallic Mineral Products	£3.4	6.3%
25	Rubber & Plastics	£2.1	3.8%
17-19	Textiles, Clothing & Leather	£1.1	2.0%
15-16	Food, Drink & Tobacco	£0.6	1.2%
36-37 & 23	Other Manufacturing not elsewhere classified	£0.5	0.8%
24	Chemicals & Man-Made Fibres	£0.1	0.3%
	Total	£54.0	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 (£13.6 million) within the manufacturing industries, accounting for over a quarter of total service exports (25.1%).**

- **The Paper & Printing sector has returned the 2nd highest level of export of services (£12.7m), accounting for 23.6% of service exports.**

- **Each of the 12 manufacturing subsectors reported some level of export of services, indicating the diversifying role of the manufacturing sector.**

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 paper & printing sector service exports account for the largest proportion (10.7%) followed by the Basic Metals & Fabricated Metal Products (5.2%).

Export of Services as a Proportion of Total Exports by Manufacturing Subsector, 2007/08
Table 6

	Total Export of Services	Total Exports[1]	Service Exports as a % of Total Exports[1]
SIC(03) Division	£m	£m	%
27-28	£13.6	£260.6	5.2%
21-22	£12.7	£119.3	10.7%
30-33	£7.4	£1,330.2	0.6%
29	£4.6	£684.5	0.7%
20	£4.3	£156.3	2.7%
34-35	£3.7	£607.0	0.6%
26	£3.4	£214.4	1.6%
25	£2.1	£432.5	0.5%
17-19	£1.1	£89.4	1.2%
15-16	£0.6	£798.5	0.1%
36-37 & 23	£0.5	£379.2	0.1%
24	£0.1	£387.8	0.0%
Manufacturing	£54.0	£5,459.7	1.0%

[1]Total exports relate to figures published within the Manufacturing Sales and Export Survey 2007/08 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 2006/07 to 2007/08. Manufacturing Service Exports have been estimated to have increased by £8.2m over the year. The sectors 'Wood & Wood Products', 'Rubber & Plastics' and 'Transport Equipment' reported decreases of £2.6m, £2.2m and £1.7m respectively, offset by increases in the 'Basic Metal & Fabricated Metal Products' sector (£6.0m) and Paper & Printing sector (£4.9m).

Annual Change in Export of Services by Industrial Sector, 2006/07 – 2007/08

Table 7

SIC(03) Division	Industrial sector	Total Export of Services 2006/07 (r)	Total Export of Services 2007/08 (p)	Change £m
15-16	Food, Drink & Tobacco	£0.5	£0.6	£0.1
17-19	Textiles, Clothing & Leather	£1.2	£1.1	-£0.1
20	Wood & Wood Products	£6.9	£4.3	-£2.6
21-22	Paper & Printing	£7.8	£12.7	£4.9
24	Chemicals & Man-Made Fibres	£0.1	£0.1	£0.1
25	Rubber & Plastics	£4.3	£2.1	-£2.2
26	Other Non-Metallic Mineral Products	£1.7	£3.4	£1.7
27-28	Basic Metals & Fabricated Metal Products	£7.6	£13.6	£6.0
29	Other Machinery & Equipment	£3.4	£4.6	£1.2
30-33	Electrical & Optical Equipment	£6.8	£7.4	£0.6
34-35	Transport Equipment	£5.4	£3.7	-£1.7
36-37& 23	Other Manufacturing not elsewhere classified	£0.2	£0.5	£0.2
	Manufacturing Total	£45.8	£54.0	£8.2
(p) = provisional	*Note: Figures may not add due to rounding*			

The Wood & Wood Products sector has reported a decrease in the share of total manufacturing service exports over the year, (15.1% in 2006/07 and 7.9% in 2007/08), while the 'Basic Metals & Fabricated Metal Products' sector has experienced an increase in share (increasing from 16.6% to 25.1%).

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 2007 estimate that Construction companies in Northern Ireland exported services worth £199.4million.**
- **2007 estimates noted a 2.2% annual decrease with revised results for 2006 being estimated at £203.9million**
- **The number of Construction companies with 10 or more employees also varied from year to year, 944 in 2005, 917 in 2006 and 954 in 2007. 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 2006 and 2007 also noted a considerable decrease (-1.7%), falling from £189.6million to £186.4million over the year.**

Value of exports made by the Construction sector, 2005 - 2007

Table 10

Sector	2005	2006	2007
Construction	£156.0m	£203.9m (r)	£199.4m
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 £425.7 million in 2007. This was comprised of £172.3m for the High Export Potential Group, a further £54.0m 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 £199.4million.

- **Provisional results for 2007 estimate that the total value of known (high export potential combined with Manufacturing and Construction) service exports was £425.7 million.**
- **This represents an increase of 3.6% from the estimate of service sector export activity in 2006 (411.0million).**

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 and in 2007 there were 323. The results presented are based on an effective response rate of 98.8%, 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. 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.

Contact Information

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

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

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

http://www.detini.gov.uk/cgi-bin/get_builder_page?page=4293&site=4&parent=57&prevpage=4544