

Article

UK trade development plan: 2016

This document sets out a proposed development plan for UK Trade statistics from 2016 to 2019. It considers a range of priorities, including the rationale for these priorities and their potential impact. Resource requirements and a broad timeline are included to provide users of UK Trade statistics with a greater understanding of the planned development work.

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1. Introduction

1.1 Summary

This document sets out a proposed development plan for UK Trade statistics for the next 3 years. It considers a range of priorities, including the rationale for these priorities and their potential impact. Resource requirements and a broad (short, medium, long-term) timeline are included to provide users of UK Trade statistics with a greater understanding of the planned development work.

The priorities set out here are complementary and integral to our wider UK Statistics strategy aimed at producing better statistics to inform better decisions. Many of the proposed developments to UK Trade systems and processes are also directly aimed at delivery of the [National Accounts Work Plan](#) and the [Economic Statistics Strategy](#). The [National Accounts and Balance of Payments National Statistics Quality Review](#) and the Bean [Independent review of UK economic statistics: interim report](#), have also influenced this plan. Within this context it is important to us that these statistics continue to meet the demands of our international regulatory requirements and our users. Therefore, this plan is open for consultation. Details of how to respond are provided at the end.

1.2 Overview

UK Trade statistics cover the import and export of goods and services to and from the UK. The UK Trade balance is a main economic indicator for the UK by feeding into both the quarterly National Accounts (NA) and Balance of Payments (BoP).

The conceptual framework is defined in the IMF's Balance of Payments and International Investment Position Manual Version 6 (BPM6) and European System of Accounts Manual (ESA 2010).

The UK Trade monthly bulletin at present contains more detail on Trade in Goods due to the coverage and comprehensiveness of the administrative data sources available. Trade in Goods is also more easily quantified and measured than Trade in Services.

Trade in Services is harder to measure, covering a heterogeneous range of intangible products and activities and are collected through a number of surveys and administrative sources. Data are provided mainly on a quarterly or annual basis which allows monthly estimates to be forecast.

In November 2014, following a series of errors the UK Statistics Authority (hereafter referred to as 'the Authority') suspended the National Statistics designation from UK Trade. As part of the Authority's assessment it was felt that the Office for National Statistics (ONS) should be clearer about developments relating directly to UK Trade rather than solely within NA as a whole and provide information about the relative priorities and resource availability for the work.

Development of UK Trade from a methodological stand point is undertaken to ensure compliance with international regulations. System developments are prioritised to maintain and improve quality assurance processes and efficiency in production of the statistics. Regular communications with users of UK Trade statistics (which are discussed later in the paper) help shape the priorities. Development work, for both systems and methods is carried out by the UK Trade production team and a dedicated development team.

UK Trade compilation sits within the National Accounts area of ONS and as such, wider, strategic projects are also a main feature of development work and can either directly or indirectly affect UK Trade.

An independent [National Statistics Quality Review](#) (NSQR) of NA and BoP was undertaken in 2014 which provided recommendations and suggestions for improvement across both areas. NSQRs are an important way of ensuring that National Statistics and other Official Statistics are fit for purpose. That review made a number of recommendations specific to Trade statistics that will be taken forward to strengthen UK Trade.

1.3 Scope

The scope of this development plan is to:

- provide information to users of UK Trade statistics about the developments currently underway and future priorities with a broad (short, medium, long-term) timeline (Section 2)
- briefly outline how the change will be managed and explain how users will be updated on progress against the plan (Section 3)
- explain how users can engage with the setting of priorities via the consultation (Section 4)

2. Development priorities

The main purpose of publishing this development plan for consultation is to share with users our current priorities with regard to UK Trade developments and to seek feedback on these priorities. We have a range of developments ongoing and planned which we feel will improve UK Trade Statistics and outputs. These are covered in this section and we would like to hear your views. Please respond as detailed in [section 4](#).

2.1 Developments overview

In order to show how the developments will provide benefits we first provide a high level view of the purpose of the developments against 3 overarching objectives:

1. to improve the quality assurance of UK Trade data and hence enhance the confidence users can have in the data
2. to be more curious and challenging about UK Trade data to strengthen the analysis and briefing we provide to users
3. to aid delivery of the UK Statistics Strategy to provide better statistics for better decisions

Quality assurance

The developments primarily targeted at improving the quality assurance of UK Trade data are system developments, scrutiny of data sources including the quality checking processes applied by suppliers of the data and the review and improvement of internal ONS quality assurance (QA) practices applied to UK Trade.

In the short-term the priority for system developments is to simplify and speed up the compilation process to enable more time for analysis. In the medium to long-term these developments are designed to enable the delivery of broader changes such as Supply and Use Tables in Previous Year's Prices which will rely on UK Trade inputs.

We have assessed our administrative data sources against the Authority's quality assurance toolkit to give an initial assessment. We continue to assess each data source in order to assure ourselves of the quality. We have also introduced additional procedures to check the source data provided by Her Majesty's Revenue and Customs (HMRC) for Trade in Goods and to analyse the impact of these data on aggregate UK Trade.

Curiosity

The second overarching objective is to look for ways to be more curious about the UK Trade data. The work we are doing in this field includes our analysis of the underlying volatility in the HMRC Trade in Goods source data to inform the analysis and briefing we provide on the aggregate Trade data. We have plans to further this analysis to assess whether the volatility is centred in particular products and whether the volatility is increasing. We are also planning deeper analysis of the differences between ONS UK Trade statistics and external indicators. These developments will not only add to the cumulative knowledge about UK Trade, but will also provide benefits against the first objective to improve UK Trade QA practices.

UK Statistics Strategy

A main focus for us is to deliver better statistics for better decisions. The UK Statistics Strategy sets the context of our developments against 5 perspectives: Helpful, Professional, Efficient, Innovative and Capable. Each of our ongoing and planned developments aligns to at least one of these perspectives.

2.2 Ongoing and planned developments

This section provides more detail about the developments. They have been ordered with those currently considered to be higher priority listed first. However, it should be noted that some of the developments require more substantial work and are planned for delivery in the longer-term. As such, some developments such as delivery of Trade data for the production of Supply and Use Tables in Previous Year's Prices will be worked on in parallel with other shorter-term developments such as the analysis of volatility in Trade in Goods input data.

As a guide, short-term refers to developments for which significant progress or delivery is expected within the next 6 months, medium-term relates to 6 months to 2 years and developments targeted for delivery longer than 2 years hence are considered long-term.

In short, our priority focus in the short-term is on quality assurance of source data and on streamlining and improving the transparency of our production systems. In the medium-term our focus shifts more towards expanding our source data and provision of different analysis covering different cuts of the UK Trade data. In the longer-term our priority is delivery of wider National Accounts strategic and regulatory requirements.

2.2.1 Analysis and quality assurance of volatile trade data (High Priority – Short-term)

Trade data are recognised as volatile, but it has been noted by several users that the volatility appears to be increasing in recent periods. In response, further analysis of the underlying HMRC Trade in Goods data has been carried out to show that the volatility in the aggregate series is representative of the raw HMRC data, and is therefore something we should expect and is supported. Ongoing analysis of these data continues to ascertain if the volatility is increasing and whether it is centred in particular commodities. ONS will share the results of this analysis through information published in the monthly UK Trade Bulletin and at appropriate user groups and forums.

2.2.2 Review of assurance around UK Trade statistics – UK Statistics Authority Toolkit (High Priority – Medium-term)

The Authority published regulatory standards confirming the quality assurance (QA) arrangements required for statistics compiled using administrative data in January 2015. These standards ensure compliance with the [Code of Practice for Official Statistics](#) and are accompanied by the Administrative Data Quality Assurance Toolkit.

We are in the process of reviewing UK Trade quality assurance processes in line with the Toolkit. This process is a substantial and fundamental scrutiny of the quality assurance of source data and ONS data collection and compilation procedures. The results of which will strengthen the quality of UK Trade data.

Initial assurance levels have been assigned for each administrative data source feeding into both Trade in Goods and Trade in Services using the QA matrix from the toolkit. By the end of March 2016 we aim to have met with all data suppliers to better understand the context of the data and collection methods as well as the quality assurance processes they have in place. We have also taken this opportunity to communicate how ONS uses their data.

Ensuring the data are the most appropriate and reviewing the quality assurance processes both those of data suppliers and within ONS is of paramount importance in ensuring that users can have trust in the data they are using. It should assure both ONS and users of Trade statistics that appropriate levels of checking and analysis have been applied to the data used in compiling our statistics.

2.2.3 Comparison with external indicators (High Priority – Short-term)

ONS routinely compares latest trade movements with external indications (such as CIPS/Markit and Bank of England) and draws on international comparisons. We plan to do more in-depth analysis of the reasons for differences between ONS data and these external indicators with a view to providing more insight and to reveal potential improvements or to enhance the quality assurance of UK Trade data. ONS is considering how best to share this information with users and views are welcome.

2.2.4 Streamlining the Trade systems (High Priority – Short-term)

Due to the evolving nature of recording international trade, changes and improvements are regularly made to the UK Trade systems. The iterative nature of these developments has resulted in systems that require some streamlining. Certain elements of the systems will be removed to improve the clarity of the processing system which will allow more time for the quality assurance of the outputs and enable the team to better meet the demand for analysis and insight from users.

2.2.5 Re-evaluate the pre-processing of HMRC transmitted data (High Priority – Short-term)

The current method of transferring HMRC raw data to an understandable format for quality assurance is very time-consuming, both when received and if any amendments are provided by HMRC. The process will be reviewed and improved so that quality assuring the data is possible at an earlier stage in the current short 10 day monthly production window.

This development will improve the efficiency of the Trade process and provide more time for the Trade team to quality assure data at an early stage of processing, further ensuring the quality of Trade outputs.

2.2.6 Systematise the mapping of country data (High Priority – Short-term)

Currently the quarterly delivery of country data to the BoP team is completed using Excel spreadsheets, rather than within the main integrated processing system. This process will be moved to the integrated system in order to streamline the process and improve the ability of the BoP team to view the underlying data. There will be no changes to the data which are published (as the correct method is applied); this development is to improve and streamline the process of producing the data allowing further time for quality assurance.

2.2.7 Quality assurance and maintenance of Missing Trader Intra-Community VAT Fraud Adjustments (High Priority – Short-term)

There is a high user demand to ensure the quality of historic adjustments related to Missing Trader Intra-Community (MTIC) VAT Fraud. ONS will further quality assure these series and ensure that the volume series are maintained as the last base year for annual chain-linked volume series is updated in line with the National Accounts.

2.2.8 Restructure the Trade in Goods processing system (High Priority – Medium-term)

The current Trade in Goods system is subject to continuing development in order to meet evolving international standards and user needs. Internal review of the system has highlighted areas which could be restructured to provide a system which is more suited to the current and changing demands of producing Trade data.

This development will provide a Trade system which has increased transparency of data flows, improved and more frequent quality assurance procedures and eventually (with restructuring of other systems) continuity with all ONS National Accounts systems. This will ensure the statistical outputs are of the highest possible quality.

2.2.9 ESA2010 transmission to split imports and exports by area (High Priority – Medium-term)

Currently imports and exports are published quarterly; split by EU, Non-EU, Euro Area, Non-Euro Area and Non-EU on a current price basis for goods and services combined.

There is EU legislation that this breakdown must also be provided on a Chain Volume Measure (CVM) and Previous Year's Prices (PYP) basis and should be available earlier, alongside the second estimate of GDP, rather than alongside the Balance of Payments one month later. The UK is required under legislation to provide these data in 2017.

2.2.10 Education-related travel (High Priority – Medium-term)

The current figure for Education-Related Travel is derived from the International Passenger Survey (IPS). IPS is a continuous survey conducted at major ports of entry to, or exit from the UK.

Work will be undertaken for Blue Book 2017 to improve the accuracy of these estimates by obtaining data from 2 new sources. Data for higher education and further education tuition fees will be sourced from the Higher Education Statistics Agency. Data for independent school fees will be sourced from the Independent Schools Council.

2.2.11 Trade in Services increased frequency and detail (High Priority – Medium-term)

It is recognised that Trade in Goods data is very detailed and timely. Trade in Services data is less detailed and timely. This is not a weakness specific to ONS, but is a recognised phenomenon due to the difficulty of measuring the transfer of services, compared with goods. However, the importance of Trade in Services to the UK economy is well documented. Indeed the Bean Interim Report and other stakeholders have acknowledged the challenges and importance of measuring Trade in Services. Improvements in this area are underway. Prioritisation of work has been led by user need and policy requirements. We are committed to undertaking work in several areas:

- adding more content on Trade in Services to the monthly UK Trade release (and associated notes to explain the quality concerns)
- publishing quarterly estimates for exports and imports of services to our main trading partners within the EU; Germany, France and Ireland
- providing revisions analysis and confidence intervals associated with the Trade in Services estimates
- publishing international comparisons of Trade in Services estimates
- obtaining information on how other countries, specifically Germany, Netherlands, USA and Japan compile Trade in Services statistics
- publish a method and estimates for regional exports of services

In addition we have begun dialogue with HMRC to potentially incorporate data from 2 of their VAT forms within official statistics on Trade in Services; these are the EC Sales List which is a timely record of services traded with the EU and the new information on cross border e-commerce which came in at the beginning of 2015. The first e-commerce user event was held in October 2015 and [details of the event are available on the ONS web site](#).

This will continue the long-term aim of improving the coverage of Trade in Services statistics, which will directly benefit the user in providing statistics that are higher quality and provide more coverage.

2.2.12 Measuring international trade and trade prices (High Priority – Medium-term)

A development recommendation from the NA and BoP NSQR was to continue with the diligence shown in measuring the ever changing landscape of international trade and trade prices. We recognise this is particularly important, but also particularly difficult, in a more inter-connected world where so many of the transactions are intangible and many are instant. ONS staff are engaged in Eurostat Task Forces, for example developing Trade in Services by Enterprise Characteristics (STEC). STEC is an initiative to produce Trade in Services by industry and other business characteristics such as employment. We know that this information would be helpful for wider users, therefore as well delivering tables to Eurostat, ONS will publish an analytical piece in spring 2016.

There is also a review of trade prices being undertaken by the Prices division in ONS and a new deflation strategy has been identified as a main strategic initiative in the [NA work plan](#). UK Trade prices are an important element of the deflation strategy, particular the need to measure more services prices. As such the trade team at ONS are working closely with colleagues developing the strategy to ensure the appropriate weight and representation is given to trade.

2.2.13 Improve data on international transactions (High Priority – Medium-term)

The NA NSQR also recommended that opportunities continue to be sought to improve the data available on the myriad of evolving international transactions and that in particular data on international processes continues to be improved.

The work we have prioritised in this area is likely to provide:

- improved data on the concept of Trade in Value Added a set of statistics to complement those on gross trade flows currently well established and
- the causes of asymmetries of bi-lateral trade analysis between particular countries

Economists within ONS are supporting the analysis and ONS staff are engaged with the OECD Working Party on Trade in Goods and Services and associated groups on improving trade statistics.

2.2.14 Supply Use tables at previous year's prices (SUT PYP) (High Priority – Long-term)

A long-term aim for the UK's NA has been to develop annual volume based balanced supply and use tables. This is considered international good practice and is supported by the NSQR as well as being a requirement under ESA2010. We aim to have developed these tables into the production process to support Blue Book 2018. As part of the work to introduce SUT PYP, NA are also reviewing the process for aligning Gross Domestic Product (Output) (GDP(O)) with annual expenditure. In particular, to consider how to align all industries with the annual balance to more accurately reflect the expanded services industries within the process. This is to better reflect the position of this sector within the UK economy as recommended by the NSQR.

At this stage the impact on Trade is still unclear. It is likely that system changes will be made to both Trade in Goods and Trade in Services.

2.2.15 Specific industry or commodity analysis and mode of supply (Medium Priority – Medium-term)

ONS acknowledges that many users require specific analysis or explanation of movements in trade, in particular sectors, industries, commodities or services. We also recognise the importance of analysis on mode of supply. Analysis of this kind is an important priority and ONS will continue to balance its work in order to meet the most pressing needs. However, in terms of development planning, these types of analysis are generally considered lower priority in the short to medium-term than the quality assurance, system and source data focused developments outlined above. ONS will continue to engage with its users to better understand the drivers for these types of analysis and the relative priorities. The responses to this consultation will feed into that process.

2.2.16 Enhancements to the statistical bulletin (Medium Priority – Medium-term)

A focused project of enhancing the monthly Trade statistical bulletin has been carried out in response to suggested improvements made by the Authority. This project will continue, in response to enhancing data availability, user engagement and regular monitoring of the bulletin content.

While these developments will continue, for information, some of the enhancements already delivered are listed:

- expanded section on 'Understanding and working with UK Trade statistics' which includes a section on strengths and weaknesses
- introduction of a contents page
- clearer distinction and focus for the monthly change and 3-monthly change comparisons, including associated changes to the imbedded tables
- introduction of more detailed revisions information
- introduction of a country comparison with other G7 countries to improve longer term perspective analysis for users

Providing a clearer and easier to navigate bulletin is crucial in delivering data in a format which aids the user experience. Introducing greater analysis and information aims to meet needs which have been identified as part of internal review and user engagement. The bulletin will continue to evolve to ensure that it continues to meet the changing needs of users.

2.2.17 Deflation strategy (Medium Priority – Long-term)

There were a number of recommendations included in the NA and BoP NSQR related to deflation and deflators. As part of the development of annual volume-based balanced supply and use tables as mentioned above, we are also looking to introduce "double deflation". In order to ensure that there is a consistent approach to changes to the deflators used within NA, we are developing a Deflation Strategy that will provide a direction and framework for all work related to this area which will include UK Trade.

2.2.18 International Trade in Services (ITIS) NSQR (Medium Priority – Long-term)

As stated previously National Statistics Quality Reviews provide an important opportunity to review and maintain the quality of national and official statistics produced by ONS and ensure they are fit for purpose.

UK Trade will be involved in an ITIS Survey NSQR as a customer of the data so that any changes made will result in improvements to the quality of source data for Trade in Services. ITIS is the largest source of data for Trade in Services. It is the sole data source for the following accounts:

- personal, cultural and recreational
- telecommunications, computer and information
- construction
- intellectual property

and covers part of the Other Business services account.

2.2.19 International Passenger Survey (IPS) sample review (Medium Priority – Long-term)

For the Trade in Services Travel account a monthly seasonally adjusted estimate for exports and imports is provided by the IPS. In addition, quarterly estimates are provided by type of expenditure and annually by country. This provides estimates of the expenditure on visits to the UK by overseas residents (exports) and by UK residents on visits abroad (imports).

Currently, the data provided by IPS contribute to over 25% of the total imports and over 10% of the total exports of Trade in Services (approximately).

As a result of this review Trade in Services will have a more robust data source. This will positively affect users particularly interested in the travel industry.

2.2.20 Improve user engagement (Continuous improvement)

User engagement is essential for us to understand and meet our user needs. Enhancements to our user engagements is a continuous process and as such should not be considered with a short, medium or long-term timeline as with other developments. Publication of this development plan for consultation is part of this process.

Methods of user engagement include (not exhaustively):

- regular dialogue with key users through the quarterly Balance of Payments User Group
- completion of a user engagement survey (via survey monkey) to allow all users the opportunity to provide feedback on the monthly and quarterly Trade publications
- the introduction of a Trade web page which includes links to publications, historical releases and methodological papers

Further information and links to methods of user engagement are available on the [UK Trade Users and Usage](#) section of the Trade web page.

As outlined above, improvements in this area will help inform where changes are needed and continue in order to meet evolving user needs.

3. Trade developments – managing the change

As with any development it is crucial to ensure the necessary resources and project structure are established for delivery. This short section is included to provide a high level overview of the current structure and to show how the development work will be managed and delivered.

Projects relating to adherence with international regulation (that is, ESA 2010 reservations and derogations) are developed and delivered through a NA Change Package system and are aligned with Blue Book publications.

Following ESA guidance and regulations is a legal requirement and ensures that users are able to make comparisons between different countries reporting on this basis in the knowledge that statistics are produced using the same international guidelines.

The regular outputs such as the UK Trade monthly bulletin must continue to be delivered to a high quality alongside the progression of the priority developments. To do this, the development work will continue to be managed within the NA Change Programme. As such the work is split between production and development, but the 2 teams are complementary and work integrally to ensure delivery.

Nine staff members are responsible for the regular processing and production of the monthly statistical bulletins and the quarterly and annual deliveries to other branches in National Accounts, Balance of Payments and Eurostat. There is a branch head of UK Trade overseeing work on both Trade in Goods and Services. The development team consists of 2 staff working on methodological changes, whilst 3 more are responsible for building and maintaining the systems used in the Trade branch. A business change manager liaises between the production and development teams and is responsible for testing the impact of development changes before they are brought into live production.

Additionally, economists within ONS provide invaluable analytical, contextual and quality assurance resource to aid both the production of UK Trade Statistics and the developments.

Once the plan is agreed, regular updates on progress will be included in the UK Trade release, at appropriate user groups or forums and on the [ONS Trade news page](#).

4. Development plan consultation

This work plan has been published to give users a greater understanding of the planned development work associated with UK Trade statistics. The work has been prioritised in line with regulatory requirements and known user needs in line with the National Accounts Work Plan and complemented by the details collected at a UK Trade user workshop held on 24 February 2016.

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

This development plan is now open for consultation. We would like to hear from you, particularly with respect to the following questions:

1. do the current UK Trade outputs from the Office for National Statistics meet your needs? If so, what aspects are of particular relevance and why? If not, what are the issues and what are your priorities for future developments?
2. once delivered, will the developments detailed in this plan make a positive difference to your understanding or use of UK Trade data? Please provide details of how this would be the case
3. are the priorities set out in this development plan appropriate for your needs? If so, please explain which developments are of particular relevance and why? If not, please explain why and how you would prefer the priorities to be set and/or what other developments you would like to see included
4. with regards to user engagement have you any suggestions of the most appropriate ways to broaden and strengthen our current engagement?

If you would like to provide comments on this work plan you can submit your responses by email or post. Please send your written response by 5pm, Friday 27 May 2016.

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Further details on communication methods can be found on the UK Trade Users and Usage section of the ONS website.