Regional Trade Statistics

Regional Trade Statistics Differences between old and new methodologies

Background

The 2016 Q3 Regional Trade Statistics (RTS) release introduces a series of changes to the methodology and presentation. This results from the informal public consultation and the responses received from our stakeholders. This document outlines the main changes in the methodology.

Display and Aggregation

Following feedback from our informal public consultation we will continue to publish at Government Region (formerly Government Office Region).

We have changed how we deal with trade that cannot be allocated to a region. This is being renamed 'Unallocated', as this correctly describes what is contained within this category instead of the vague title of 'Unknown'.

Unallocated trade is split into:

i.   'Unallocated – Known': where we have virtually full details of the trade but it is not appropriate to allocate it to a region. This covers:

- Trade going into or out of the Channel Islands or the Isle of Man;
- Trade carried out by the UK Government;
- Trade carried out by overseas based businesses who have a VAT presence in the UK; and
- Parcel post trade that is dealt with centrally (trade with non-EU countries only).

ii.   'Unallocated – Unknown': This includes:

- Trade where business details submitted are invalid;
- Un-registered businesses (non-EU only);
- Private individuals (non-EU only); and
- Low Value Trade (non-EU only).

Regional Allocation Method

The previous allocation methodology allocated trade to a region based on where the headquarters of a business is located for VAT/Customs purposes, supplemented an historic survey.

The last survey was carried out in 2002, so results are out of date. It would be burdensome and time-consuming to re-issue the survey and to run it regularly in order to maintain accuracy.

A new allocation method was needed that allocated trade to the regions more closely aligned with where the importing and exporting was taking place rather than merely basing it on the where the Head Office was located.

We have moved to the methodology used in the Annual Business Survey by the ONS, which uses data in the Inter-Departmental Business Register (IDBR). This allocates the trade of a multi-branch business to different regions based on a proportion of their employees in each region.

Where there is no match with the IDBR, a business' trade is allocated to a region based on the postcode of their Head Office when it is merged with the National Statistics Postcode Lookup.

Allocation of Energy Goods

There have been recent changes to the way HMRC Trade Statistics collect data on certain energy goods. These changes have enhanced the accuracy of the trade in such goods. This refers to CN8 codes 2716000 (Electrical Energy) and 27112100 (Natural Gas in a gaseous state). As this trade is carried out via fixed link interconnectors, data is now collected from terminal operators rather than the businesses doing the trade.

For the RTS, as we no longer have details on the business doing the trade, this would have meant a large amount of trade going into the Un-allocated category.

For energy goods only, we are therefore allocating trade to the region where these specific energy goods enter or leave the UK. This is based on the region where the terminal is. The accuracy is enhanced by knowing that trade with certain partner countries in the specific commodities can only enter or leave the UK via specific known terminals.

For Crude oil (CN8 27090090), the majority is traded via oil tanker so this trade is allocated to the region of the business declaring the trade. However, some exports (EU and Non-EU) are exported directly from an offshore platform. As no information on the business carrying out the trade is available, this trade is allocated to the region nearest to where the oil platform is located. This allocation is assisted using information from the Scottish Adjacent Waters Boundaries Order 1999.

Below Threshold Traders Allocation (BTTA)

Changes in the way BTTA are calculated for the RTS reflect changes made to the Overseas Trade Statistics methodology[1]. Allocation factors are created for each combination of 4-digit commodity code, country, and additionally NUTS1. The NUTS1 region is taken from the division of declared trade by the RTS in the same month previous year. Initial allocations are then also created at the HS2, SITC2, country and NUTS1 combination level. The actual level of below threshold trade in each NUTS1 region is also calculated by splitting the global declarations for businesses not on the Intrastat register that month by the same process used for businesses above the Intrastat threshold.

Business Counts

Business counts are now a count of all VAT Registered businesses importing and exporting. Previously those businesses that were not required to submit full declarations for their EU trade (Below Threshold Trade) were not included in EU Business counts

Where businesses have branches in multiple regions, there are two ways of deriving the count:

- **Whole Number Method:** A business will be counted as one in every region they have employees. This represents the actual count of businesses in any region. However, it will mean the sum of the business count for each region will be greater than that for the UK.

- **Proportion Method:** A business will be counted as a fraction in each region they trade based on the proportion of their employees in each region. An individual business counts as one business in the UK. The sum of businesses (whole and fractions) gives the total business count for a region.

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[1] Further technical detail on the OTS BTTA methodology can be found here