

# Research Bulletin 20/7 | External Selling of Goods and Services: Rewards and Risks

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December 2020

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## Summary

The Northern Ireland Statistics and Research Agency (NISRA) reports on the value of sales and purchases of goods and services by Northern Ireland businesses in the Broad Economy Sales and Exports Statistics (BESES). To explore this data further, secondary analysis was carried out on the 2018 BESES dataset to explore the trade of goods, services, or both goods and services by NI businesses who sold into Northern Ireland, Great Britain, Ireland, the Rest of Europe and the Rest of the World markets. This paper focuses on the instances of goods and services sales to external markets where businesses sell both goods and services where, potentially, additional restrictions or administrative burden associated with the external selling of goods may also impact associated sales of services and vice versa. Such businesses account for one fifth of all external sales made by Northern Ireland businesses.

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## Introduction

As a small open economy, Northern Ireland (NI) sells and purchases goods and services both within the local market of NI and Great Britain and exports and imports these internationally.

Locally, the Northern Ireland Statistics and Research Agency (NISRA<sup>i</sup>) reports on the value of sales and purchases by NI businesses in the Broad Economy Sales and Exports Statistics (BESES<sup>ii iii</sup>) excluding agriculture, financial and insurance sectors and the Public Sector. To explore this data further, secondary analysis was carried out on the 2018 BESES dataset to explore how NI businesses sold into NI, Great Britain (GB), Ireland (ROI), the Rest of Europe (REU) and the Rest of the World (ROW), with a particular focus on whether businesses sell goods only, services only, or both goods and services within each market.

In the context of Brexit and the establishment of new trading relationships with external markets, Northern Ireland businesses may face emergent barriers to trading with these markets. These barriers could be based on new or changed tariffs for goods, regulatory requirements placed on these goods, or transportation disruption, in addition to a range of direct and indirect barriers that may impact on the provision and sale of services amounting to a restrictiveness in trade.

Whilst trade in services is generally examined separately from trade in goods, there are a significant number of businesses in NI who sell both goods and services into external<sup>iv</sup> markets and any barriers to trade in goods may have consequences for sales of complementary services.

## Detail

BESES estimates for the 2018 year show 55,382 NI businesses captured by the survey, with total sales of £68.4bn. This follows a broad pattern of increasing sales values annually for all but one of the 8 years in the series (2011 – 2018). £46.3bn of total sales was from sales of goods, down from a high of £48.6bn in 2016. The remaining £22.1bn was from sales of services and was the highest figure in the 8 year series which has been consistently rising annually. In relation to external sales, NI businesses sold a total of £21.7bn in goods and services of which £10.6bn were to GB, £4.2bn to ROI, £2.5bn to REU and £4.5bn to ROW.

External sales were comprised mostly of goods (£15.2bn) with £6.5bn in services (Table 1).

**Table 1: Sales Destinations, by Goods and Services (£m)**

Broad Destination	Total Sales	Total Sales of Goods	Total Sales of Services
<b>Total Sales</b>	£68,437	£46,315	£22,122
<b>NI Sales</b>	£46,721	£31,108	£15,613
<b>GB Sales</b>	£10,556	£6,549	£4,007
<b>ROI Exports</b>	£4,169	£3,073	£1,097
<b>REU Exports</b>	£2,460	£2,076	£383
<b>ROW Exports</b>	£4,532	£3,510	£1,022
<b>External Sales</b>	£21,717	£15,208	£6,509
<b>Exports</b>	£11,160	£8,659	£2,502

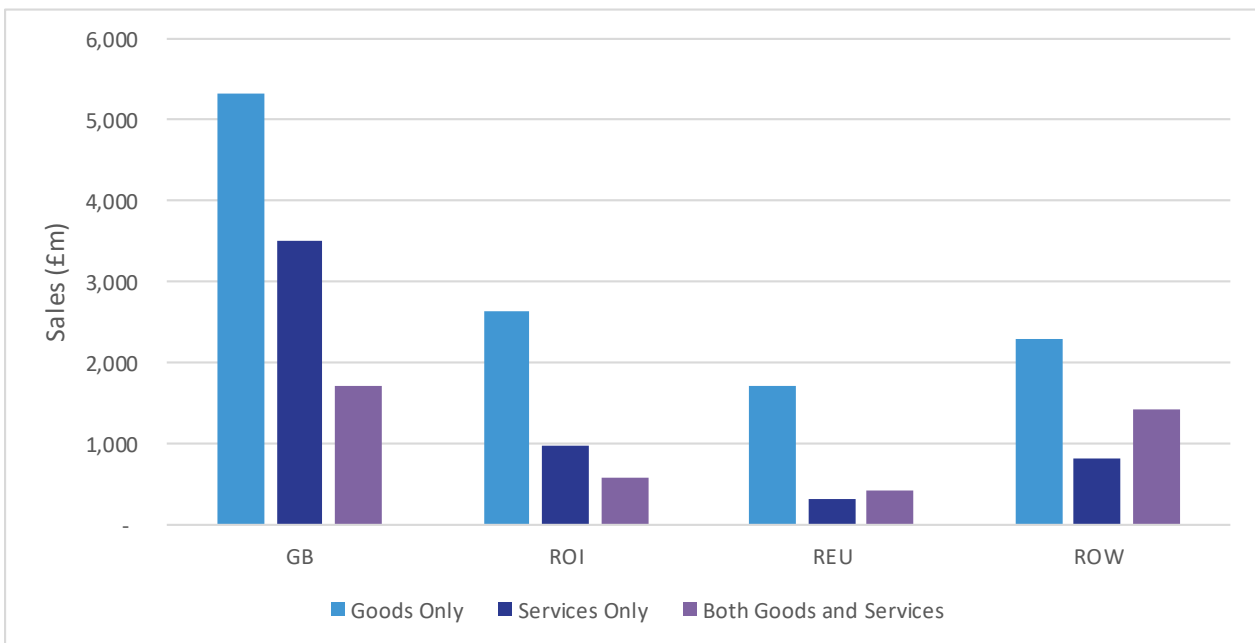
Source: Northern Ireland Broad Economy Sales and Exports Statistics: Goods and Services Results 2018

Note: Figures may not sum due to rounding.

## External Markets

Each external market was examined separately to determine the value of goods sold, services sold and to determine which businesses sold both goods and services to a market. While existing publications generally look at goods and services separately, a significant value of goods sales (£3.3bn) are made by businesses who also sell services to that market (£0.9bn) (Figure 1 / Table 2).

**Figure 1 : External Goods and Services Sales by Region (£m)**



Source: Derived from Northern Ireland Broad Economy Sales and Exports Statistics 2018

**Table 2 : Goods and Services Sales by Region (£m)**

Region	Total sale of goods by all NI businesses	Total sale of services by all NI businesses	Sale of Goods Only	Sale of both Goods and Services - value of goods	Sale of both Goods and Services - value of services	Sale of Services Only
<b>NI</b>	£31,108	£15,613	£21,250	£9,858	£3,493	£12,120
<b>GB</b>	£6,549	£4,007	£5,322	£1,227	£490	£3,517
<b>ROI</b>	£3,073	£1,097	£2,624	£448	£122	£974
<b>REU</b>	£2,076	£383	£1,714	£362	£73	£310
<b>ROW</b>	£3,510	£1,022	£2,286	£1,223	£195	£827
<b>All External Markets</b>	£15,208	£6,509	£11,946	£3,260	£880	£5,628

Source: Derived from Northern Ireland Broad Economy Sales and Exports Statistics 2018

Note: Figures may not sum due to rounding.

GB is by far the largest external market for NI businesses, with nearly half of all external sales of goods and services being made to this region. Over £6.5bn worth of goods were sold by NI businesses into the GB market in 2018, mainly by businesses who only sold goods into that market. However, £1.2bn of those goods sales were made by businesses who also sold £490m of services to GB which, combined, represented 16% of total sales to GB, and these businesses could face pressures on the sales of their services to GB in the event that sale of goods is impacted.

Although smaller in value than GB, the ROW market has the highest proportion of sales value coming from businesses selling both goods and services to that market with the £1.4bn of goods and services sold equating to 31% of total sales to ROW. Corresponding figures for the ROI are £0.6bn (14%) and the REU £0.4bn (18%).

On that basis then, a significant share of all external sales (£21.7bn), are accounted for by businesses selling both goods and services (£4.1bn or 19%).

### Number of Businesses

Of the 55,382 businesses reported by BESES, similar numbers of external selling businesses sold to GB (8,148) and the ROI (8,631). The composition of sales in each market differed, as more businesses sold goods only to the ROI (4,166) compared to GB (2,892) and more businesses sold services only to GB (4,383) compared to the ROI (3,549). Considering the value of sales attached to each market though, the high number of sellers to GB and ROI produce vastly different results as sales to GB are 2.5 times more than that to ROI. In the context then of additional barriers to trade, a larger number of smaller businesses may face additional administrative and financial burdens to maintain trade with the ROI. Conversely, any impact on the ability of businesses to trade with GB could have a greater impact on the value of sales.

The ROW market, particularly for those NI businesses who sell both Goods and Services there, will be an important market to consider as a relatively small number of businesses (63) are responsible for £1.4bn of sales.

**Table 3 : Number of businesses selling to each market**

Region	All businesses who sell to that market	Businesses who sell Goods	Businesses who sell Services	Number of businesses who sell Goods Only	Businesses who sell both Goods and Services	Businesses who sell Services Only
<b>NI</b>	46,125	23,503	30,706	15,419	8,084	22,622
<b>GB</b>	8,148	3,764	5,256	2,892	873	4,383
<b>ROI</b>	8,631	5,081	4,465	4,166	916	3,549
<b>REU</b>	2,124	1,259	959	1,165	94	865
<b>ROW</b>	1,784	1,017	829	954	63	766

Source: Derived from Northern Ireland Broad Economy Sales and Exports Statistics 2018

Notes: A business may appear multiple times if it sells to more than one market.

Figures may not sum due to rounding.

## Industrial Sectors

The Manufacturing (C) sector dominates sales across all external markets with total goods sales of £10.5bn, £8bn of all Manufacturing external goods sales are by businesses who sell goods only, with the remaining £2.4bn of goods sales attributed to businesses with accompanying services sales of £343m.

The value of the external sales by businesses selling both goods and services is concentrated in Manufacturing (£2.8bn), which accounts for 67% of such external sales, with Construction (£442m) accounting for 11% and Wholesale and Retail 7% (£292m). The bulk of the external sales in these industries are to the geographically closest markets and diminish with distance (Table 2). By contrast, the value of business sales of both goods and services into the NI market is concentrated within Wholesale and Retail (61%).

**Table 4 : Value of Sales to External Markets by Industry Category (£m)**

Industry category	Total Goods Sold to External Markets	Total Services Sold to External Markets	Businesses selling Goods only to External Markets	Businesses selling both Goods and Services to External Markets - value of goods	Businesses selling both Goods and services to External Markets - value of services	Businesses selling Services only to External Markets
<b>C Manufacturing</b>	£10,459	£578	£8,020	£2,440	£343	£235
<b>F Construction</b>	£461	£2,244	£174	£287	£155	£2,089
<b>G Wholesale and retail trade, repair of motor vehicles and motorcycles</b>	£3,474	£74	£3,218	£257	£35	£40
<b>All other sectors combined</b>	£813	£3,614	£535	£277	£348	£3,266
<b>Total</b>	<b>£15,208</b>	<b>£6,509</b>	<b>£11,947</b>	<b>£3,261</b>	<b>£881</b>	<b>£5,629</b>

Source: Derived from Northern Ireland Broad Economy Sales and Exports Statistics 2018

Notes: Figures may not sum due to rounding.

Each market has been analysed separately and this table is a summation of instances of goods only, services only or both goods and services sales in all markets.

'All other sectors combined' is all other SIC classifications at that level, in which businesses mainly sell services.

## Business Size

**Table 5: Value of Sales to External Markets by Business Size (£m)**

Business Size (Number of employees)	Total Goods Sold to External Markets	Total Services Sold to External Markets	Businesses selling Goods only to External Markets	Businesses selling both Goods and Services to External Markets - value of goods	Businesses selling both Goods and services to External Markets - value of services	Businesses selling Services only to External Markets
<b>Micro 0-4</b>	£538	£472	£490	£48	£24	£448
<b>Micro 5-9</b>	£482	£302	£412	£70	£25	£276
<b>Small 10-49</b>	£2,568	£1,418	£2,338	£230	£140	£1,279
<b>Medium 50-249</b>	£3,925	£1,745	£3,209	£716	£221	£1,524
<b>Large 250+</b>	£7,694	£2,572	£5,497	£2,197	£471	£2,101
<b>Totals</b>	<b>£15,208</b>	<b>£6,509</b>	<b>£11,947</b>	<b>£3,261</b>	<b>£881</b>	<b>£5,629</b>

Source: Derived from Northern Ireland Broad Economy Sales and Exports Statistics 2018

Notes: Figures may not sum due to rounding.

Each market has been analysed separately and this table is a summation of instances of goods only, services only or both goods and services sales in all markets.

Large businesses (250+ employees) are fewer in number, but contribute disproportionately to the economy in terms of sales and Gross Value Added (GVA)<sup>v</sup>. Large businesses account for over 50% of all sales of goods and 40% of all sales of services, with medium sized businesses making over one quarter of sales of goods and services. For instances of businesses supplying both goods and services to external markets, such large businesses account for £2.2bn of goods and £471m of services together comprising some 64% of the value of external sales of both goods and services.

There is variation in business size across the external markets as sales of both goods and services by businesses to the REU and the ROW are heavily concentrated in Large businesses, with those selling goods and services to GB concentrated in Large (53%) and Medium-sized (30%) businesses. The value of sales of goods and services to the ROI are more evenly distributed between Large, Medium, Small and Micro businesses with a distribution more similar to that for businesses selling both goods and services within the NI market.

Large businesses may have greater resources and reserves to deal with any future potential barriers to trade, particularly if they operate in multiple markets, but conversely, this increased exposure to a greater range of markets may increase exposure to the number and type of potential future barriers and to the value of that trade. The greater number of smaller businesses externally selling, may have more limited resources to deal with any potential future barriers to external trade, and this may act to reduce such trade or to limit the entry of smaller businesses into the external markets.

## External Purchases

Further analysis examined the external purchase and import status of the businesses selling into each of the markets. As a comparator, 64% of the value of sales to the NI market (£30bn) were made by businesses who externally purchased goods and/or services. By contrast, over 90% of the value of sales to each external market were by NI businesses who themselves externally purchased goods and/or services. The value of external sales by NI businesses is therefore reliant on NI businesses purchasing from external markets and on access to these markets for goods and/or services (Table 6).

**Table 6 : Value of Sales to each market by External Purchase Status (£m)**

External Purchases Status	Total Sales of Goods and/or Services to NI	Total Sales of Goods and/or Services to GB	Total Sales of Goods and/or Services to ROI	Total Sales of Goods and/or Services to REU	Total Sales of Goods and/or Services to ROW
Businesses with no external purchases	£16,670	£905	£340	£74	£306
Businesses who make external purchases	£30,051	£9,651	£3,830	£2,386	£4,225
<b>Total</b>	<b>£46,721</b>	<b>£10,556</b>	<b>£4,169</b>	<b>£2,460</b>	<b>£4,532</b>

Source: Derived from Northern Ireland Broad Economy Sales and Exports Statistics 2018

## Conclusions

This paper has focused on NI businesses who sell both goods and services into external markets. The external sales of such businesses (£4.1bn) account for one fifth of all external sales made by NI businesses (£21.7bn). In terms of the value of these sales, most is concentrated in the GB (£1.7bn) and ROW (£1.4bn) markets. The ROI market attracted sales from 916 goods and services selling NI businesses, compared to 873 NI businesses selling to GB and a relatively small number (63) to the ROW.

The value of sales by businesses of both goods and services is greatly concentrated within the Manufacturing sector and amongst larger businesses who employ 250 or more. The value of over 90% of these sales to external markets are accounted for by NI businesses who themselves externally purchase goods and/or services from these markets.

On the basis that for these businesses there is an interdependency to a greater or lesser extent, in the sales of their goods and services, potentially new or additional barriers to trade in goods could impact on associated sales in services and vice versa. While the exact nature of the relationship between the goods and services sales by NI businesses cannot be unpicked from the BESES data, some external goods sales may hinge on the ability of a business to supply related services and vice versa. In the context then of new trading relationships going forward, existing

thinking and approaches which focus solely on businesses who externally sell either goods or services may not adequately consider the additional pressures which may face businesses externally selling both goods and services.

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<sup>i</sup> For further information on Northern Ireland economic and labour market statistics see: [Economy | Northern Ireland Statistics and Research Agency \(nisra.gov.uk\)](#)

<sup>ii</sup> The BESES reports on sales and purchases by businesses in NI and excludes purchases and sales made by individuals and households.

<sup>iii</sup> Further background information for the BESES publications can be found [here](#).

<sup>iv</sup> External markets refers to all markets outside of Northern Ireland which includes Great Britain whilst export/import markets refers to all markets outside Northern Ireland and Great Britain.

<sup>v</sup> Approximate Gross Value Added at Basic prices represents the income generated by businesses, out of which is paid wages and salaries, the cost of capital investment and financial charges before arriving at a figure for profit. It includes taxes on production (e.g. business rates), net of subsidies but excludes subsidies and taxes on products (e.g. VAT and excise duty). This is an output-based measure of GVA. All published GVA is given at basic prices.