

Article

UK Trade in services by modes of supply: 2020

Experimental estimates of UK trade in services by Mode of Supply, country and service type on a balance of payments basis.

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1 . Main points

- The percentage of service exports remotely supplied to trading partners (Mode 1) increased considerably in 2020 compared with 2019, increasing 16.9 percentage points to 82.1% of total service exports.
- The increase in remote services was also observed for imports to the UK, which increased by 16.9 percentage points to 71.8% of total service imports in 2020.
- Businesses that relied on personnel to travel overseas to provide a service (Mode 4) and to purchase a service (Mode 2) were most severely affected by coronavirus (COVID-19) restrictions; this is reflected in the 10.4 percentage point and 6.5 percentage point decreases in Mode 4 and Mode 2 exports, respectively, compared with 2019.
- Other indicators, such as overseas travel and tourism estimates, highlight how the effects seen in 2020 are likely to have continued into 2021, in part reflecting how travel has not yet returned to pre-coronavirus levels.

2 . The effect of the coronavirus pandemic on trade in services

The coronavirus (COVID-19) pandemic has significantly affected gross trade flows in 2020. Coronavirus had a larger effect on services than on goods trade according to the [Organisation for Economic Co-operation and Development \(OECD\)](#). This reflects the global lockdowns and restrictions on international travel that were in place throughout much of 2020.

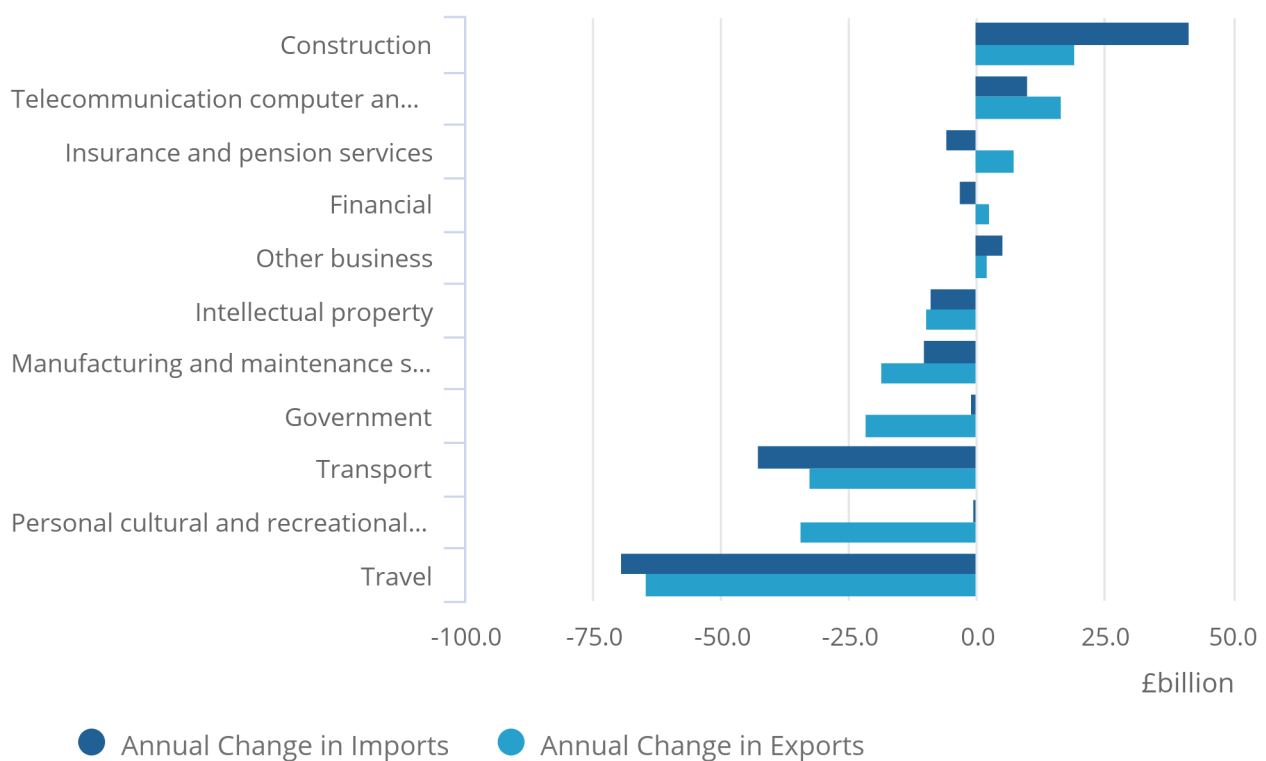
Travel services saw the largest fall in gross trade flows in 2020. Overseas residents visiting the UK fell by 73% and UK residents travelling abroad fell by 74%, when compared with 2019, as explored in [Overseas travel and tourism: 2020](#).

Figure 1: There was an unprecedented decline in travel services in 2020 compared with 2019, whilst construction and telecommunications experienced an increase

Contributions to the annual change in the trade in services imports and exports in 2020 by service type

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Contributions to the annual change in the trade in services imports and exports in 2020 by service type



Source: Office for National Statistics - UK Trade in Services by Mode of Supply

A larger effect is particularly seen for services most dependent upon personnel who travel overseas to provide a service, and to purchase a service. However, there have also been examples where businesses have changed how these services are traded. For some services, delivery or consumption by travelling across international borders can be substituted by remote delivery and consumption, but this is not an option for all services.

The extent of changes in how the UK trades and which service types have experienced the largest changes in how they are traded can be explored by examining exports and imports of services by mode of supply.

Under the World Trade Organisation’s [General Agreement on Trade in Services \(GATS\)](#), trade in services can be conducted through four modes of supply: Mode 1, Mode 2, Mode 3 and Mode 4. This depends on the territorial presence of the supplier and the consumer at the time of the transaction. For definitions of the four modes of supply see [Section 7: Glossary](#).

3 . Exports of services by modes of supply

Remote supply (Mode 1) made up 82.1% of total UK services exports in 2020 (excluding Mode 3), an increase from 65.2% in 2019. This primarily reflects the restrictions on global travel put in place at the start of the coronavirus (COVID-19) pandemic. The restrictions are likely to have driven businesses to conduct more of their business with the rest of the world remotely.

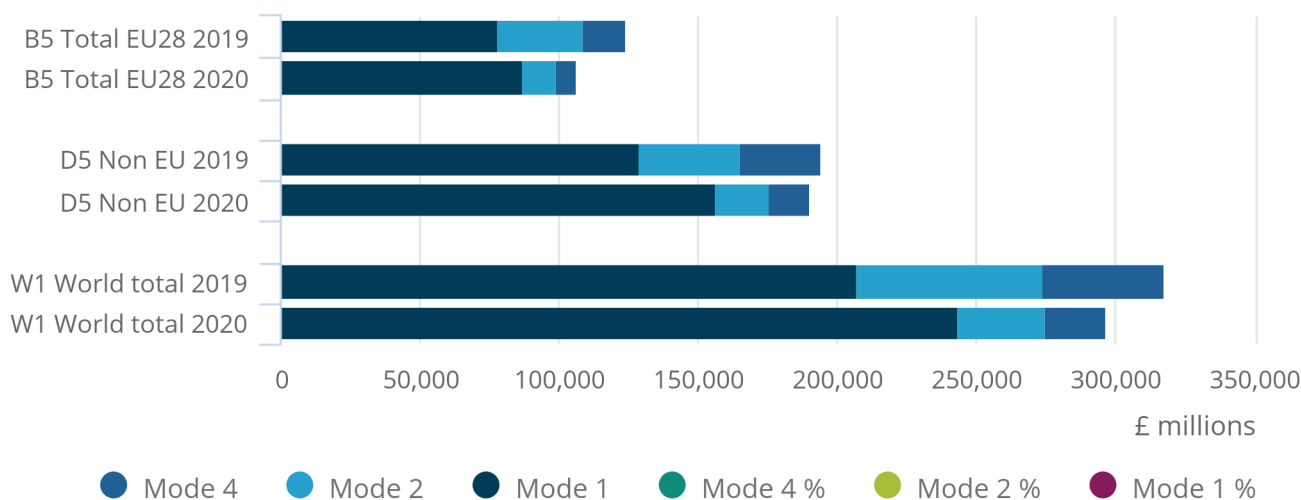
These patterns are similar for the UK’s exports to the EU and the rest of the world (Figure 2). Remote trade accounted for 81.6% of total exports to EU countries in 2020, an increase from 63% in 2019. For the rest of the world, remote trade accounted for 82.4% of total exports in 2020, increasing from 66.6% in 2019.

Figure 2: In 2020, 82.1% of UK service exports were conducted remotely via Mode 1, an increase from 65.2% in 2019

UK services exports by value of mode of supply, 2020

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UK services exports by value of mode of supply, 2020



Source: Office for National Statistics - UK Trade in Services by Mode of Supply

The increase in remote service exports has not been consistent across all services in 2020, as the nature of some service types are more adaptable to remote trade. For example, total exports of construction services fell in 2020. Whereas the overall value of construction services traded remotely increased and its proportion of remote trade showed the largest relative increase in 2020. This is likely a result of increases in activities that can be conducted remotely such as project management, advice, design, quantity surveying, or equipment rental.

Figure 3: Exports of construction services saw the largest percentage point increase in remote trade in 2020 compared with 2019

UK services exported by Mode 1, percentage point change, 2019 to 2020

Notes:

1. Figures may not sum because of rounding.
2. Modes of supply import data for manufacturing, and maintenance and repair services is collected under a grouped question, resulting in a similar level of Mode 1 growth.

Download the data

[.xlsx](#)

4 . Imports of services by modes of supply

In 2020, the remote supply (Mode 1) of UK service imports made up 71.8% of the total, an increase from 54.9% in 2019. This increase is likely similar to remote exports because of businesses increasingly shifting towards remote means of conducting international business because of coronavirus (COVID-19) travel restrictions.

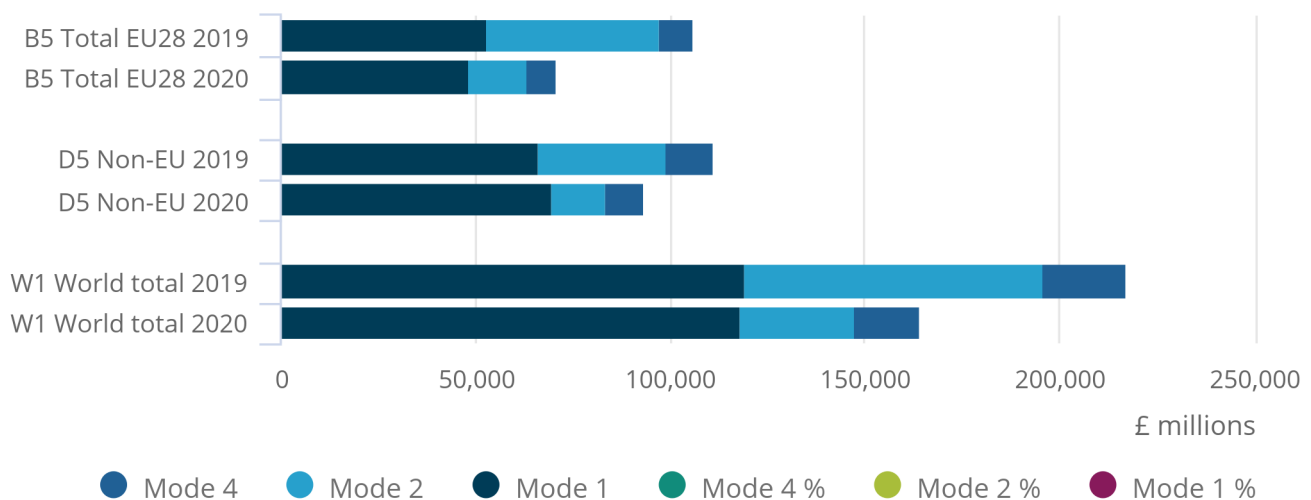
Whilst the value of imports from the EU fell in 2020, the proportion that was imported remotely increased to 68.2%. Similarly, where imports from non-EU countries fell in 2020 the proportion imported remotely increased to 74.6%. The smaller increase is likely because of the previously already higher level of services traded remotely with non-EU countries.

Figure 4: 71.8% of UK service imports were conducted remotely via Mode 1 in 2020, up from 54.9% in 2019

UK services imports by value of mode of supply, 2020

Figure 4: 71.8% of UK service imports were conducted remotely via Mode 1 in 2020, up from 54.9% in 2019

UK services imports by value of mode of supply, 2020



Source: Office for National Statistics - UK Trade in Services by Mode of Supply

Notes:

1. Figures may not sum because of rounding.
2. Mode 3 exports do not contribute to balance of payments estimates and have not been included as part of this release.

Manufacturing and maintenance and repair services are historically among those with the lowest levels of remote trade. In 2020, both have seen large increases in services imported via remote means. This shows a substantial shift in how these services have been provided during the coronavirus pandemic. This is likely related to services that can be conducted remotely such as aftermarket services, remote diagnostics, development, rental, or advisory services.

Similarly, whilst imports of personal, cultural, and recreational services decreased in 2020 compared with the previous year, remote imports of this service increased to 77.2% in 2020 from 50.8% in 2019. This is likely because of cultural activities such as theatre, live music, and sports performances, and their associated production activities, moving from in person to online events as a result of coronavirus restrictions.

Figure 5: Imports of manufacturing services saw the largest percentage point increase in remote trade in 2020 compared with 2019, closely followed by maintenance and repair services

UK services imported by Mode 1, percentage point change, 2019 to 2020

Notes:

1. Figures may not sum because of rounding.
2. Modes of supply import data for manufacturing, and maintenance and repair services is collected under a grouped question, resulting in a similar level of Mode 1 growth.

Download the data

[.xlsx](#)

5 . Services trade by modes of supply in 2021 and beyond

The coronavirus (COVID-19) pandemic continued to affect overseas visits in 2021, as shown in [data related to overseas travel and tourism from January to March 2021](#).

Figure 6: UK residents' visits overseas and overseas residents' visits to the UK by air declined by 76% and 86% respectively between Q3 2019 and Q3 2021, with business visits declining by 85% and 90% respectively over the same period

Number of visits abroad by UK residents and number of visits to the UK by overseas residents, Q1 2019 to Q3 2021 (air)

Download the data

[.xlsx](#)

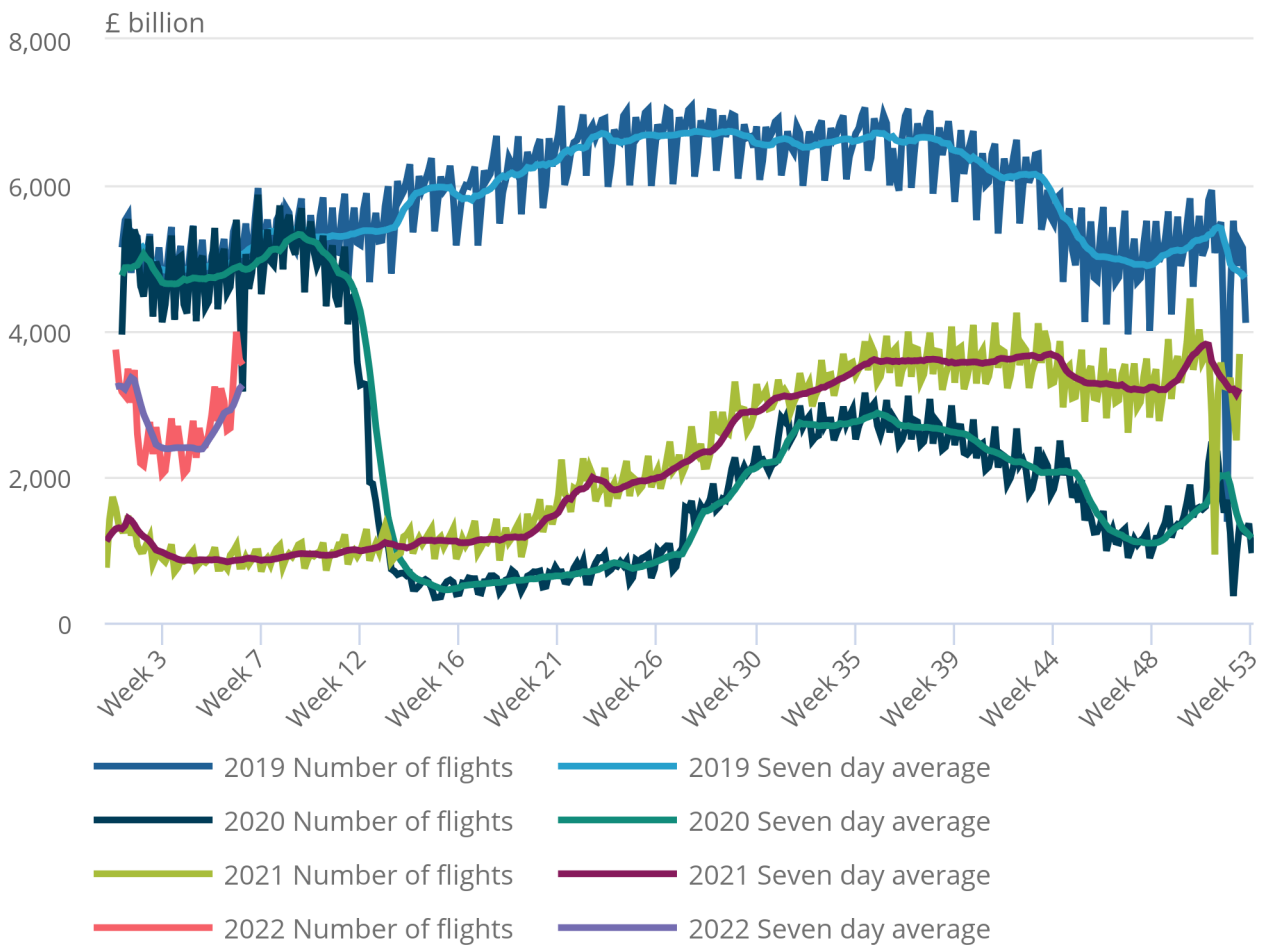
The total number of flights to, from, and within the UK have remained below pre-coronavirus levels throughout 2021 and into 2022. This is according to data from the European Organisation for the Safety of Air Navigation.

Figure 7: By mid-February 2022, the number of daily flights was in the region of 3,200 per day, compared with 5,000 to 6,500 per day pre-coronavirus (COVID-19) pandemic

Number of daily flights, non-seasonally adjusted, and seven-day moving average

Figure 7: By mid-February 2022, the number of daily flights was in the region of 3,200 per day, compared with 5,000 to 6,500 per day pre-coronavirus (COVID-19) pandemic

Number of daily flights, non-seasonally adjusted, and seven-day moving average



Source: Office for National Statistics

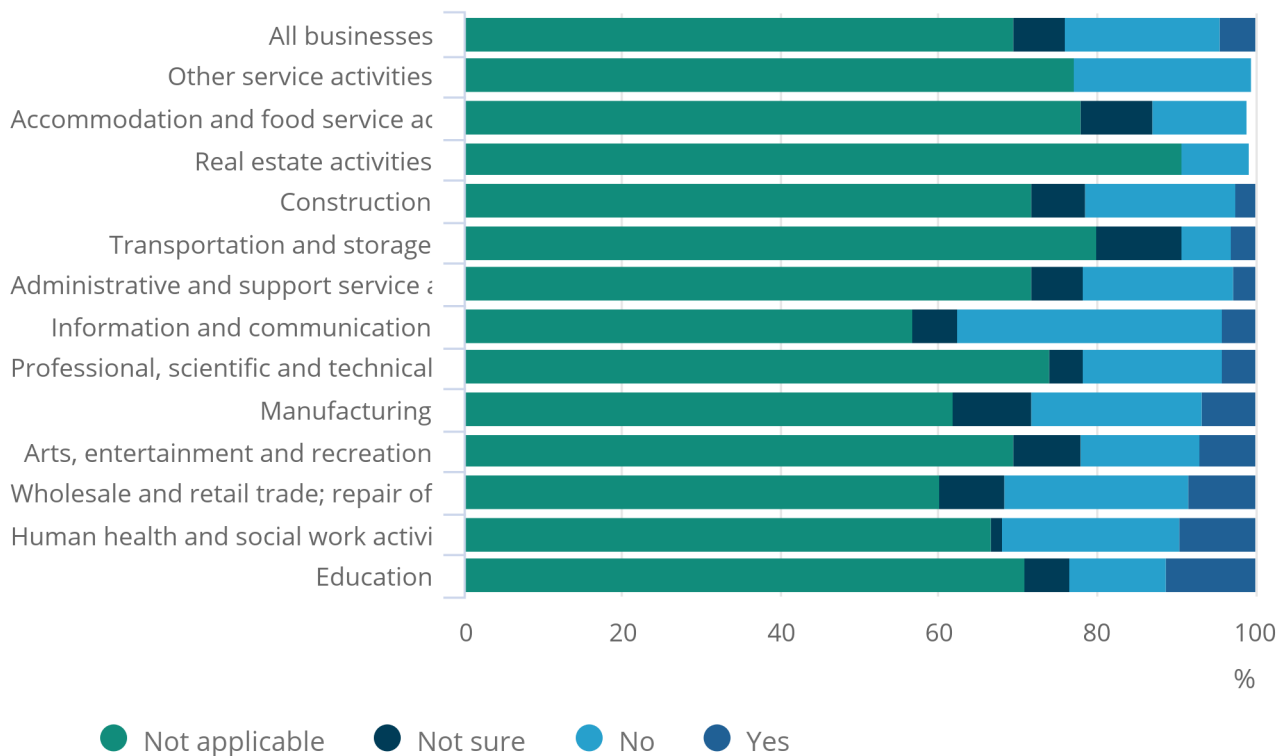
The Office for National Statistics' (ONS) [Business Insights and Impact on the UK Economy](#) indicates that 4% of all businesses, that had not permanently stopped trading, reported making changes to how they conduct international trade in services because of the coronavirus pandemic or EU exit in early 2022. However, there is some industry-level variation. For example, 11% of businesses in the education sector (private sector and higher education businesses only) and 10% in human health and social work activities reported changes.

Figure 8: 4% of all businesses reported changes to the way they conduct international trade in services

Businesses reporting changes to the way international trade in services are conducted as a percentage of businesses which had not permanently stopped trading, broken down by industry, weighted by count, UK, 24 January to 6 February 2022

Figure 8: 4% of all businesses reported changes to the way they conduct international trade in services

Businesses reporting changes to the way international trade in services are conducted as a percentage of businesses which had not permanently stopped trading, broken down by industry, weighted by count, UK, 24 January to 6 February 2022



Source: Office for National Statistics - Business Insights and Conditions Survey

Notes:

1. Final weighted results, Wave 49 of the ONS Business Insights and Conditions Survey (BICS).
2. Industries may not sum to 100% because of rounding and percentages less than 1% being removed for disclosure purposes.

6 . Modes of supply data

[Exports of services by country, by modes of supply](#)

Dataset | Released on 25 February 2022

Country breakdown of trade in services values by mode of supply (exports). Countries include total services data, while regions include top-level Extended Balance of Payments Services (EBOPS) breakdown.

[Imports of services by country, by modes of supply](#)

Dataset | Released on 25 February 2022

Country breakdown of trade in services values by mode of supply (imports). Countries include total services data, while regions include top-level Extended Balance of Payments Services (EBOPS) breakdown.

7 . Glossary

Mode 1

Where a supplier in one country sells a service to a customer in another, but without the movement of people. An example is UK legal or financial advice services being supplied by a UK business to overseas customers remotely, by email or an online platform.

Mode 2

Where a consumer travels to another country and buys a service. For example, a tourist from another country travels to the UK and pays for a London landmark tour.

Mode 3

Where a foreign company sets up a subsidiary abroad to supply services to foreign customers directly in that country. For example, a UK telecoms company may establish an affiliate or subsidiary in a foreign country to provide mobile phone services overseas.

Mode 4

Where personnel travel abroad to provide a service. For example, a UK consultancy firm sends a business analyst to an overseas customer's office to give expertise or to oversee a project.

Trade in services

For the purposes of this article and to maintain clarity, where Mode 3 is excluded and estimates are therefore on a purely balance of payments perspective, we refer to this as "trade in services".

Business Insights and Conditions Survey (BICS)

BICS is designed to capture economic-based information from businesses who are currently trading.

Exports

Goods or services sold to other countries, the opposite of imports.

Imports

Purchases of foreign goods and services, the opposite of exports.

Total trade

The value of total trade between two trading partners (that is, exports plus imports).

Coronavirus

Coronaviruses are a family of viruses that cause disease in people and animals. They can cause the common cold or more severe diseases, such as COVID-19.

COVID-19

COVID-19 is the name used to refer to the disease caused by the SARS-CoV-2 virus, which is a type of coronavirus. The Office for National Statistics (ONS) takes COVID-19 to mean presence of SARS-CoV-2 with or without symptoms.

EU exit transition period

The EU exit transition is the period agreed in the UK-EU Withdrawal Agreement in which the UK is no longer a member of the EU but continues to be subject to EU rules and remains a member of the single market and customs union. When the UK left the EU on 31 January 2020, it entered the transition period. The transition period came to an end on 31 December 2020.

8 . Data sources and quality

Mode 3

Because of resource challenges, we have been unable to analyse and include estimates of Mode 3 exports in this release as in previous years. We are currently finalising our dataset publication plans for Mode 3 and will announce these plans shortly.

Approach

The data on modes 1, 2 and 4 were compiled by combining information from the International Trade in Services (ITIS) survey, the International Passenger Survey (IPS) and other non-survey services sources. The proportion of Mode 1 supply collected on the annual ITIS survey and the proportions of Mode 2 and Mode 4 were estimated using [Eurostat's proportional allocation](#) of Extended Balance of Payments Services (EBOPS) categories to modes of supply. The same methods are used in our previous release published in 2019. For more information see Modes of supply: methods.

International trade in services

A portion of the Annual Survey of [International Trade in Services](#) (annual ITIS) contains questions to capture the percentage of services exported and imported remotely for 14 broad service categories. This survey instrument is sent out to around 5,000 businesses and allowed us to produce a proportion of remote trade (Mode 1) for each service type captured by the ITIS survey.

Using Eurostat's proportional allocation of EBOPS categories to modes of supply, we have assigned the remaining data by service type to either consumption abroad (Mode 2) or presence of natural persons (Mode 4).

Please note that no country breakdowns are available from the modes of supply questions, so mode of supply proportions are assumed to be the same for each country.

Users should be aware that some level of survey error, specifically responder interpretation of questions, is a possibility. This may lead to cases where responders include some services in unintended categories. The Office for National Statistics (ONS) have processes in place to limit these survey errors as much as possible, such as contacting responders to query and confirm survey returns. However, there is always risk that some error remains in our final estimates. Consideration should be taken when interpreting these statistics.

Other data sources

Modes of supply estimates of financial services, and insurance and pension services are based on data collected via the ITIS survey for remote trade (Mode 1) proportions. The remainder are allocated to presence of natural persons (Mode 4).

For the remaining non-ITIS data sources (transport, travel and government services) the allocation of modes of supply is based on Eurostat's proportional allocation of EBOPS categories to modes of supply.

This article includes evidence from businesses responding to the [Business Insights and Conditions Survey](#) (BICS). BICS provides insight into some of the underlying causes of the movements in trade outlined in this article regarding the effect of the coronavirus (COVID-19) pandemic. Recent high level information on UK trade is also published monthly in our [trade bulletin](#).

It is worth noting that UK trade has seen challenges with data collection because of social distancing measures during the coronavirus pandemic. Further detail on the challenges and the measures we have taken can be found in Section 11 of [UK trade: September 2020](#). More quality and methodology information on strengths, limitations, appropriate uses, and how the data were created is available in the [UK trade QMI](#).

9 . Related links

[Modes of supply: methods](#)

Article | Released 31 July 2019

Detailing the feasibility, methodology and analysis of results on the experimental work for modes of supply in 2019.

[UK Balance of Payments. The Pink Book: 2021](#)

Bulletin | Released 29 October 2021

Balances between inward and outward transactions, providing a net flow of transactions between UK residents and the rest of the world and reports on how that flow is funded.