

# Business Expectations on Exports: How important they can be

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Exports have been a core variable in the strategy for the recovery of the Portuguese Economy out from the severe economic and financial crises occurred in the first half of this decade. Having prospective statistical information on exports became a crucial need both to public opinion and for political authorities.

Thus, Statistics Portugal (SP) launched a survey on Perspectives of Exports of Goods (IPEB) over exporting enterprises to obtain information about their activity expectations. The first edition was held in May 2014, by using a representative sample of exporting enterprises corresponding to 90% of Portuguese exports of goods.

The IPEB allows gathering and summarizing the perspectives of the nominal variation of exports for each enterprise for the current and the following year. The results obtained until now have anticipated to a large extent the outcomes.

The IPEB is one of three surveys launched by SP to get information on potential sources of economic growth not covered by the European Statistical Program, being the other two, a survey on management practices and a survey related to several types of costs affecting firms' performance besides wages and other inputs costs, notably those arising from administrative burden.

## **1. Introduction**

In May 2014 Statistics Portugal launched a new survey on Perspectives of Exports of Goods (IPEB), in order to have prospective information for the nominal variation of exports expected by the enterprises in 2014.

This project took form in a context of increasing importance of Portuguese exports in the path towards recovery from the economic and financial crisis, and nowadays it keeps being important

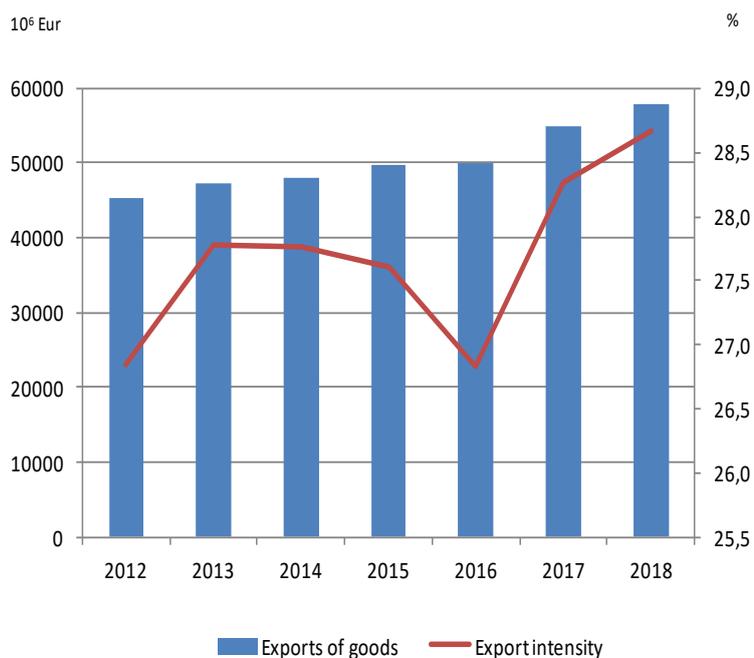
due to Portuguese exports are still playing a fundamental role to the correction of macroeconomic imbalances and to the stimulus of the Portuguese general businesses.

The growing integration of the world economy presents great opportunities for Portuguese enterprises, and it is crucial to be able to globally create, either within a national or a local range the best conditions for them to successfully respond to the challenges of globalisation.

Foreign investment, foreign trade and the international presence of Portuguese enterprises are bringing advantages to the national economy, allowing resources to be concentrated where enterprises are more competitive, increasing productivity and competitiveness. Knowing in advance the behavior of Portuguese exports of goods (Intra-EU and Extra-EU) is fundamental to consolidate the diversification of markets and the growing internationalisation of companies.

In view of the growing importance of the evolution of exports of goods in portraying the economy, Statistics Portugal promotes this survey (IPEB) by using a representative sample of exporting enterprises.

Figure 1 – Evolution of exports of goods and export intensity (exports of goods/GDP), in Portugal 2012-2018



The IPEB allows gathering and summarizing the perspectives of the nominal variation of exports for each enterprise. It provides prospective data, following the example of other surveys conducted by Statistics Portugal, namely the Investment Survey (Business), with which shares some

characteristics. This new statistical operation started after the end of the New Orders in Industry Index (Total, Internal market and Foreign market), based on a monthly qualitative survey.

The IPEB survey is conducted twice a year: in May, this survey focuses on the expected nominal variation in exports for the current year compared to the previous one. In November the survey focuses on the expected nominal variation of exports for the next year, taking into account a second forecast of the nominal variation also requested for the current year. Therefore, in the beginning of each year Statistics Portugal have information on the companies' expectations regarding the exports of goods for that very same year.

## **2. Methodology**

This survey was based on a sample of operating exporting enterprises, located in Portugal with export values declared in International Trade in Goods Statistics (ITGS) above EUR 250 000 in each year (sum of Intra-EU trade (via Intrastat System) and Extra-EU trade (via Customs declarations)).

The total number of enterprises surveyed (around 3 200 every year) represented around 90% of the total exports of goods in each year. The response rate is, on average, around 97%, corresponding to 98% of the exported value of the sampled enterprises in each year.

The enterprises were selected according to the following parameters:

Non sampling component:

- Enterprises with a total of exports  $\geq$  EUR 3 million in value (based on values declared in ITGS);
- Enterprises belonging to NACE Rev. 2 - three digits classification (group) – with a sampling representativeness  $\leq$  3 enterprises.

Sampling component:

- By sorting the remaining enterprises in a descending order of the total of exports, a selection was made in each NACE group:
  - a. Enterprises able to reach 15% of the total of exports, if the non sampling weight is  $\geq$  80%;

b. Enterprises able to reach 35% of the total of exports, if the non sampling weight is  $\geq 60\%$  and  $< 80\%$ ;

c. Enterprises able to reach 55% of the total of exports, if the non sampling weight is  $< 60\%$ .

- By including relevant enterprises in terms of representativeness within the Broad Economic Categories Classification (BEC) with single digit classification.

Data produced and disseminated is broken down by BEC, and the classification is based on the distribution of data declared by the respective enterprises within the scope of ITGS in the previous year.

For methodological reasons, the scope of IPEB could not be the same as it is for ITGS, because IPEB does not include exports of specific goods and movements (such as electricity), estimates and does not comprehend, in the reference population, special (foreign) enterprises acting as “traders” in Portugal. These “traders” are natural or legal persons not registered for VAT in Portugal, however they are responsible for presenting customs declarations lodged in Portuguese Customs. These movements are included in ITGS, however it is not possible to survey these enterprises, because they are not registered for VAT in Portugal. To allow a better results’ coverage, this difference concerning foreign enterprises belonging to national economic groups was minimized with a special treatment in order to include their exports in IPEB.

Additionally, the results of this survey, as they are based in growth perspectives, may differ from the observed values in ITGS and should be seen as indicating trends, taking into account the level of information available for the enterprises in the moment they respond to the survey (IPEB). However, the exports’ evolution coming from IPEB anticipates to a large extent that coming from ITGS data:

Figure 2 - Comparison between IPEB forecasts and the ITGS data, 2014-2018

**Perspectives of the Enterprises on Exports of Goods and  
International Trade Statistics**  
**International Trade - TOTAL**  
Annual nominal rate of change



Given this feature, data from IPEB are received with interest by Portuguese *media* and are used by several entities in their economic assessments and forecast exercises, such as the Ministry of Economy, Ministry of Finance, the Bank of Portugal and the Portuguese Trade and Investment Agency (the latest one has been a major driver of this project, working in cooperation with Statistics Portugal in the promotion of IPEB and by making the responding enterprises aware of the importance of their response).

### 3. Main results

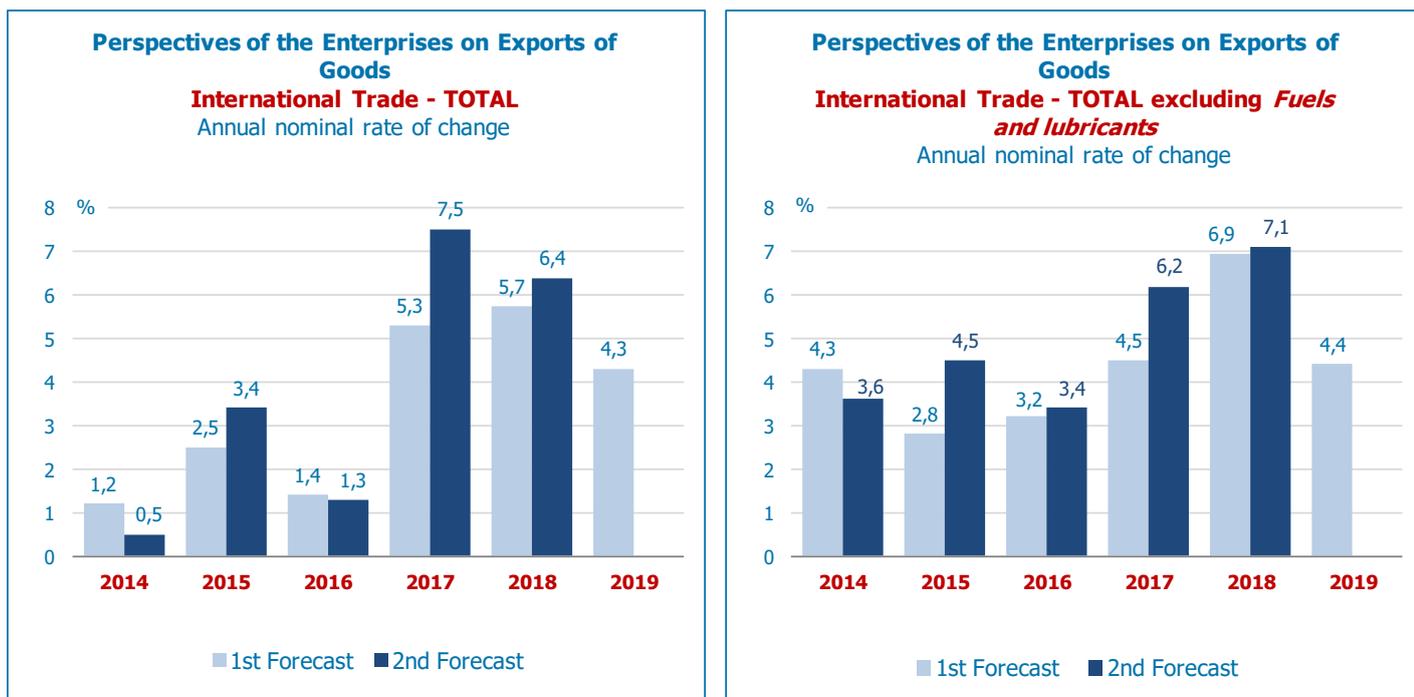
The most recently available data refers to the forecast of 2019 Portuguese exports of goods. The survey on Perspectives of Exports of Goods was carried out in November 2018, corresponding to the 1<sup>st</sup> forecast for the nominal variation of exports of goods expected by the enterprises in 2019.

In May 2019, a new edition of this survey was conducted aiming to update the perspectives of enterprises concerning exports of goods in 2019, which correspond to the 2<sup>nd</sup> forecast.

For the 1<sup>st</sup> forecast of 2019 data, the perspectives of exporting enterprises of goods point to a 4.3% nominal increase in exports in 2019 when compared with the preceding year. Enterprises expect a 3.2% increase in exports to Extra-EU countries and a 4.6% growth in exports to Intra-EU countries.

Excluding Fuels and lubricants, enterprises are expecting a 4.4% increase in 2019 (+3.3% in Extra-EU Trade and +4.7% in Intra-EU Trade).

Figure 3 – Perspectives of the enterprises on exports of goods, 1<sup>st</sup> forecast for 2019



In terms of Broad Economic Categories (BEC), it is noteworthy the expected increase in exports of Transport equipment and parts and accessories thereof (+6.1%) and of Capital goods (except transport equipment), and parts and accessories thereof (+5.8%), especially to the Intra-EU markets (+6.6% and +7.5%, respectively).

It should be noted that this survey occurred in November 2018, therefore the perspectives of the enterprises are conditioned by the information available until that period.

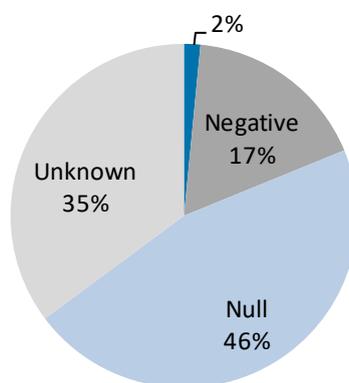
Figure 4 – Perspectives of the enterprises on exports of goods, 1<sup>st</sup> forecast for 2019, by market and broad economic categories (BEC)

	EXTRA-EU	INTRA-EU	INTERNATIONAL
<b>TOTAL</b>	3.2%	4.6%	<b>4.3%</b>
TOTAL excluding <i>Fuels and lubricants</i>	3.3%	4.7%	<b>4.4%</b>
Of which (BEC):			
<i>Food and beverages</i>	3.8%	2.3%	<b>2.7%</b>
<i>Industrial supplies not elsewhere specified</i>	3.4%	3.9%	<b>3.8%</b>
<i>Capital goods (except transport equipment), and parts and accessories thereof</i>	1.5%	7.5%	<b>5.8%</b>
<i>Transport equipment and parts and accessories thereof</i>	3.1%	6.6%	<b>6.1%</b>
<i>Consumer goods not elsewhere specified</i>	4.6%	2.9%	<b>3.2%</b>

In this edition of IPEB, information was sought and obtained from enterprises (still only in a qualitative way, given the remaining uncertainty) concerning the impact of the United Kingdom withdrawal from the EU (Brexit) on their exports of goods.

On the basis of responses to IPEB, 46% of enterprises expect a null effect on their exports, as a result of the United Kingdom withdrawal from the European Union. The enterprises predicting a negative effect (17%) accounted for 35% of exports to the United Kingdom in 2017 and for 21% of the total exports of goods in that year. Only 2% of the enterprises in the survey expect a positive effect of Brexit in their exports and about 35% of the enterprises do not yet know what will be the expected impact.

Figure 5 – Expected effect of Brexit on the enterprises’ exports of goods, 2019

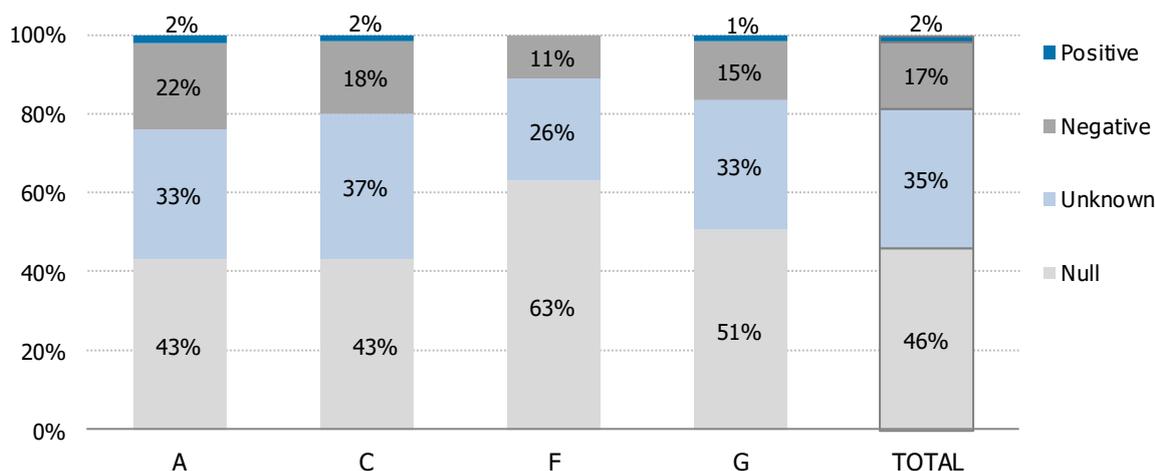


Among enterprises with a high degree of dependence on the UK market (where more than 50% of their exports are destined to this country), there is a higher proportion (in relation to the total responding enterprises to IPEB) considering that Brexit will have a negative impact on their exports (36%), while 21% consider that the effect will be null and only 3% expect a positive effect. The remaining 40% of enterprises do not know what impact Brexit will have on their exports of goods.

The analysis by activity sector shows that the majority (63%) of enterprises classified in the Manufacturing sector (NACE Rev.2 sector F) anticipate a null impact of the United Kingdom withdrawal from the EU in the evolution of their exports.

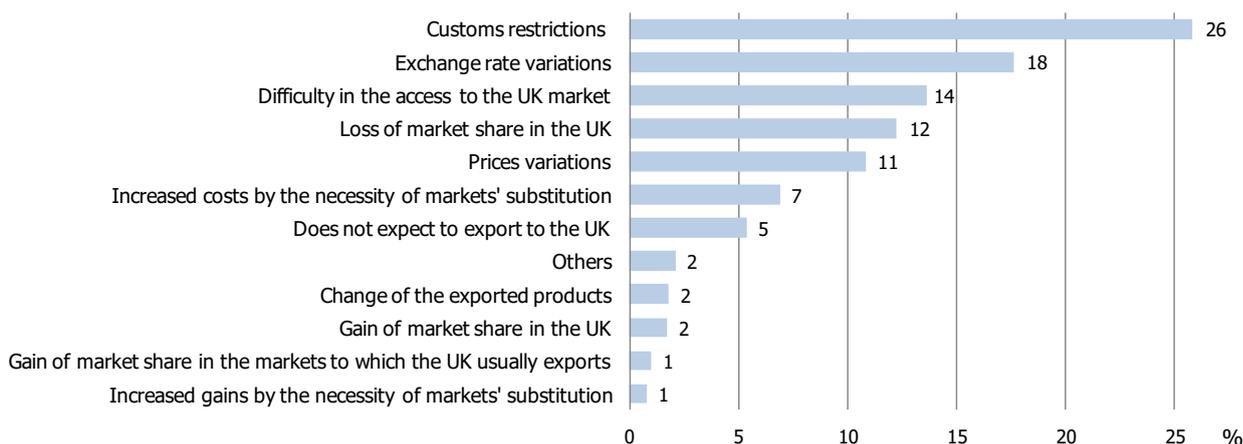
In relative terms, the enterprises from the Agriculture, forestry and fishing sector (NACE Rev.2 sector A) responding to the survey, are the ones that most expect a negative effect of Brexit on their exports (22%).

Figure 6 – Expected effect of Brexit on the enterprises’ exports of goods, by NACE sector, 2019



Considering the responses from those enterprises already exporting goods to the United Kingdom, the main reasons indicated for the expected impact of Brexit on their exports are the possibility of customs restrictions (26%), the exchange rate variations (18%), the difficulty in the access to the UK market (14%), the loss of market share (12%) and the possibility of variation in prices (11%).

Figure 7 – Main reasons for the expected effect of Brexit on the enterprises’ exports of goods, 2019



In July 2019 a new press release was disseminated, regarding the main statistical findings from the survey on Perspectives of Exports of Goods, carried out in May 2019, corresponding to the 2<sup>nd</sup> forecast for the nominal variation of exports of goods expected by the enterprises in 2019.

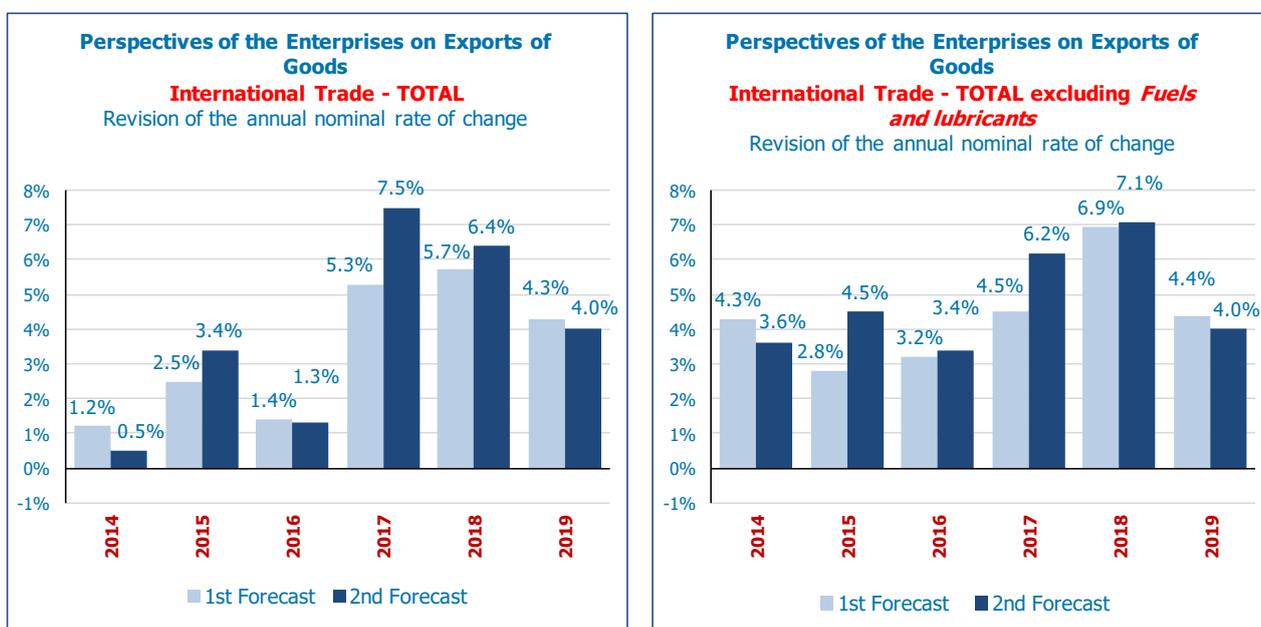
According to this second forecast for 2019, enterprises revised slightly downwards their forecast for exports of goods in 2019.

The perspectives of the exporting enterprises pointed to a nominal increase of 4.0% in exports of goods in 2019 (a revision of -0.3 p.p. when comparing with the first forecast). This revision was mainly a result of the perspectives of small and medium-sized enterprises, which indicated a worst performance, compared to the previously expected, in most of their usual destination markets and in specific markets as the main reasons for this downward revision.

The downward revision in the International Trade resulted from the updating of the perspectives for the European Union (-0.4 p.p. to an increase of 4.2%), mainly in the categories Capital goods (except transport equipment), and parts and accessories thereof and Consumer goods not elsewhere specified.

The perspectives concerning Extra-EU exports increased by 0.2 p.p. (to an increase of 3.4%), mostly due to the evolution of the category Transport equipment and parts and accessories thereof.

Figure 8 – Perspectives of the enterprises on exports of goods, 2<sup>nd</sup> forecast for 2019



In the 2<sup>nd</sup> forecast, enterprises were requested to indicate the main reasons for the revision in their perspectives vis-à-vis the 1<sup>st</sup> forecast, and the following list of options was presented: Better/worst performance, compared to what was expected, in most of their usual destination markets; Better/worst performance, compared to what was expected, in specific destination markets; Facility/Difficulty accessing new markets; Enlargement/Contraction on the enterprise productive capacity; Currency fluctuations; Simplification/Difficulty in customs procedures; Changes in prices non determined by currency fluctuations; Facility/Difficulty accessing credit; Error in the report; Others.

IPEB data is disseminated via a specific press release and statistical indicators are also available in the Statistics Portugal webpage:

- [Annual growth rate expected by enterprises for exports of goods \(%\) by Forecast, Type of trade and Economic activity \(Section - NACE Rev. 2\)](#)
- [Annual growth rate expected by enterprises for exports of goods \(%\) by Forecast, Type of trade and Type of goods \(BEC\)](#)

#### **4. Other differentiating surveys not covered by the European Statistical Program**

This survey falls within the scope of a broader set of statistical operations conducted by Statistics Portugal, intended to disseminate information on diverse factors not covered by the European Statistical Program, but very relevant to capture different and important elements on business dynamics in an international context which poses new challenges and the need of constant attention to factors affecting their competitiveness.

Besides the IPEB, other surveys are being conducted by Statistics Portugal under this scope, such as the Management Practices Survey, with the main purpose to obtain information on management practices, and the Business Cost of Contexts Survey, an innovative and differentiating survey with the main purpose of assessing the negative effects resulting from rules, procedures, actions or omissions, which hinder businesses and are not attributable to the investor, its business or organization.

The implementation of new business surveys in Portugal does not impose a significant burden on respondents given:

- The existence of the Webinq, a web-based service developed by Statistics Portugal for collecting information electronically (data capture and editing tool), reducing the effort organizations require to respond to official questionnaires and improving relationships with respondents by creating processes that reduce and streamline their work. Webinq has an access area reserved for members, after certification by membership code and password. The Webinq is included in an integrated information system developed by Statistics Portugal (SIGINQ), corresponding to a modular tool where common processes could be used for the implementation of new statistical operations. This new tool was developed in order to integrate all the different phases of statistical production: data collection, editing, validation process, micro-data analysis, macro-data analysis, estimations, quality control (using other internal sources and administrative data) and dissemination, which allows a significant positive impact in terms of workload and data quality, every time a new statistical operation needs to be developed by SP.
- The existence of data on enterprises' annual accounts covering the complete business universe, from an administrative source available at Statistics Portugal (the Simplified Business Information - IES stands for "Informação Empresarial Simplificada"), which is used to reduce the sample size of surveys on enterprises, allowing a sound level of quality on data. The IES was created in 2006 within the framework of a government program for the simplification and modernisation of Public Administration named the SIMPLEX program, which aggregates the fulfillment of several legal obligations by the enterprises in a single act that were previously dispersed and that implied the provision of information sometimes materially identical to different organisms of the Public Administration through different channels. With the IES, the various obligations, namely the submission of enterprises' annual accounts, are fully complied with by electronic means and carried out in a single occasion. The IES allows the fulfillment of the following obligations: delivery of annual accounting and tax statements to the Tax Authority, delivery of annual accounts for Public Register under the supervision of the Ministry of Justice, provision of statistical information to Statistics Portugal and the provision of information on annual accounting data for statistical purposes to the Portuguese Central Bank. Particularly for Statistics Portugal, the main advantages of IES were as follows: complete coverage of the corporations' universe; reduction of the time lag on information availability from 12 to 6.5 months; information received automatically by electronic means; and a very significant increase in the detail of the information.

The *Management Practices Survey* (MPS) is a survey, mostly of a qualitative nature dedicated to obtain information on characteristics of corporations' management that, although with no explicit monetary reflection on their financial statements, may constrain or foster their competitiveness in a context of growing integration within the overall economy.

The survey is addressed to top managers and it includes three main modules:

Module A: Characterisation of the enterprise (with 27 questions about the organization and decision making in the company, persons employed, management and leadership);

Module B: Management practices of the enterprise (with 28 questions about the strategy, monitoring and information, human resources and management system, social responsibility);

Module C: Information of the top manager responsible for the information (with 5 questions).

The growing integration of businesses in the global economy, poses new challenges and the need of constant attention to factors affecting their competitiveness. Among them, the costs of context stand out. Costs of context are negative effects resulting from rules, procedures, actions or omissions, which hinder businesses and are not attributable to the investor, its business or organization. The *Business Cost of Contexts Survey* (IaCC) was conducted by Statistics Portugal with the main purpose of assessing these effects. It focused on nine potential areas of obstacle to businesses' activities: starting a business, licensing, costs of services produced by network industries, financing, judicial system, tax system, administrative burden, internationalisation and human resources. Companies were inquired on the levels of obstacle they perceived in the multiple areas and on the evolution between a period of three years under analysis. Approximately five thousand non-financial companies were surveyed, constituting a stratified sample by size-class and business sector. Most questions of the survey have a qualitative nature, expressed by a scale of response with 5 levels of intensity, with which the respondent may indicate the level of obstacle associated with each question.

## **5. Future developments in IPEB**

The results from IPEB correspond to an aggregation of quantitative expectations of Portuguese firms regarding future exports. They are published in the beginning of every year, and are used by

the public entities, such as the Ministries of Economy and of Finance, the Bank of Portugal and the Portuguese Trade and Investment Agency in their economic assessments and forecast exercises.

In terms of future developments, it is our intention to extend the scope of the IPEB to the exports of services, taking into account their increasing importance in total exports in Portugal. This step has to be taken with the cooperation of the National Central Bank, as gathering data on this type of information lies on its sphere of responsibility.

Additionally, this survey falls within the scope of a broader set of statistical operations conducted by Statistics Portugal, intended to disseminate information on diverse factors not covered by the European Statistical Program, but very important in a context of growing integration of businesses in the global economy, such as the Management Practices Survey (MPS) and the Business Cost of Contexts Survey (IaCC). Within this framework, a new project is currently being developed by Statistics Portugal: a survey on the types of human resources qualifications needed by corporations in the near future in order to detect particular labour shortages.