

**INTERNATIONAL BUSINESS STATISTICS USERS' GROUP
USERS' PERSPECTIVES ON BUSINESS STATISTICS**

Report by Ulric Spencer on meeting of 25 January 2010

Geoff Noon (Machine Technologies Association) set the user scene by listing the statistical series relevant to his Association's 250 members, which were regularly tracked to demonstrate and compare the trends which they depicted.

These included Prodcum, exports & imports, Index of Production, investment, producer prices, and average earnings. Prodcum on its own gives a domestic industry size, which when combined with trade figures indicates market size. However this needs consistency of codes between Prodcum and CN. Furthermore the use of Prodcum has become limited since it became an annual publication, and it remains subject to confidentiality suppressions. Trade figures provide pointers to other countries' markets and contribute to forecasts. The Index of Production not only shows short-term trends but also makes possible the tracking of end-user sectors and is a key input for externally commissioned forecasts, both for the domestic machine tool industry and for export markets by region. Price indices are used for contract price adjustments, while average earnings feed into labour cost indices at industry level. Several other general economic indicators – GDP, inflation, unemployment, productivity, profits – illuminate the general overview of the economy.

Richard White (Chief Executive, International Steel Statistics Bureau) stated that ISSB, is owned by Corus and the UK Steel Association, who were both data suppliers and customers; in addition there were external customers. Data are sourced from the UK and Europe and international trade statistics were a vital element. There were disclosure/confidentiality problems. He illustrated his presentation with some charts of demand, imports and value per tonne of a selected steel product. He emphasised the importance of trade data to his industry as a basis for decision making. Additional information which would enhance its value were the names of the producer and the name and address of the customer.

John Hughes (ONS) summarised the implementation of the SIC 2007, on which he has previously reported in earlier editions of **IBSUG News** (most recently No. 43, November 2009 and no.38, November 2007). He outlined the scope as it related to surveys with SIC content and gave an update on the entire timetable between 2008 and 2011. There was some reclassification of codes for sectors within manufacturing to maintenance/repair. Two useful web references are: for the earlier ABI results www.nomisweb.co.uk/articles/437.aspx and for Prodcum www.statistics.gov.uk/downloads/theme_commerce/changes-toPRODCOM:and-the-PRA-Series-of-Reports.

Geoff Noon illustrated inconsistencies in some of the official data series he had referred to earlier, using annual sales values and year on year percentage changes for the period 2003-8 – for the Annual Business Survey, Prodcum and the Index of Industrial Production, which showed some puzzlingly different variations in size and movement.

Stephen Curtis (ONS) responded by suggesting that one cause of the discrepancies, may stem from differences in the year on which firms were reporting; also the level of detail determined the confidence interval.

Other points raised during discussion included: the need to examine footnotes and observe that figures could be provisional and subject to revision; and to wonder whether ONS itself made comparisons for consistency between its own series.

He reminded the audience that ONS was seeking help from users in identifying priorities on which data could be relinquished in the event of the imposition of cuts, which were under consideration because of budgeting restrictions.

**NEWS FROM UKSA****ASSESSMENT REPORTS
PUBLISHED & PENDING**

Four Assessment reports foreshadowed in **IBSUG News 43** (November 2009) - on **Average Weekly Earnings** No.19, **Energy Statistics** No. 20 were published in November 2009, and **Producer Prices** No.24, covering **Producer Price Indices, Aerospace and Electronic Cost Indices and Price Index Numbers for Current Cost Accounting** and on **Services Producer Prices Indices** No.25 in December 2009. The latter's indices, previously an experimental series, will achieve National Statistics status but covers only a selection of service sectors and recommends extension to other sector coverage. Consultation is currently in train for statistics on e-commerce and information and communications technologies (ICT) activity of UK business, retail price index & consumer price index. The programme for later 2010 (with start dates) includes monthly national accounts and short-term economic output indicators (July/August), annual and quarterly national income (September), and UK trade statistics (October). Full details are set out in www.statisticsauthority.gov.uk/assessment/programme-of-assessment/index.html

**INTERNATIONAL
BUSINESS
STATISTICS USERS'
GROUP
FUTURE MEETING**

Preliminary notice

5 October 2010, 2.00 to 4.30pm
(Lunch 1.00)
Royal Statistical Society,
12 Errol Street, London EC1

RECENT DEVELOPMENTS IN
TRADE STATISTICS: SINGLE
FLOW DATA AND
ASYMMETRIES, HARMONISED
SYSTEM NOMENCLATURE,
TRADE IN SERVICES

Details in next issue of BSUG
News or from the Secretary
elastomers@btinternet.com

**IBSUG
CONTACT ADDRESSES**

CHAIRMAN: *Ian Maclean, MBE*
Email: ian@worldtradestats.com

SECRETARY: *Philip Watson*
Email: elastomers@btinternet.com

HON. TREASURER: *Geoff Noon*
Email: gnoon@mta.org.uk

IBSUG NEWS EDITOR: *Ulric Spencer*
Email: uspencer@silch.fsnet.co.uk

IBSUG WEBSITES:
www.rss.org.uk/ibsug
www.stats.bis.gov.uk/ibsug

IBSUG NEWS

International Business Statistics Users' Group

UK FINANCIAL SERVICES – WHERE NEXT?

**David Dooks, Chair of FESUG and
Statistics Director, BBA**

With the benefit of hindsight, 2008 will be seen as the year when the global banking system teetered on the brink of collapse and economic growth in the main international economies went into decline. An absence of available funding from the global wholesale markets combined with securitisation investment markets drying-up to reveal the shortage of bank capital to absorb defaults associated with sub-prime lending and a chronic lack of liquidity. In a prolonged economic recession, viability issues surfaced both for individuals (in terms of mortgage repossessions and bankruptcy) and also for companies (in terms of subdued trading markets, postponed investment, reduced employment and insolvencies).

From the perspective of governments around the world, initiatives, capital injections and quantitative easing by the central bank were measures necessary to stabilise the financial sector and encourage credit to flow to the wider economy. Misleading press reports of the UK government 'bailing-out' the banks to the tune of £850bn are wide of the mark – in 2009, HM Treasury estimated the final cost to the taxpayer to lie in the £20bn-£50bn range and the pre-Budget report suggested a lesser figure.

It has to be remembered that Northern Rock was a prime retail bank and other, small banks and building societies also failed, but debate abounds about the future structure of banking – defining systemically important banks as 'too big to fail', separating retail banking from investment banking, regulatory reform, remuneration policy review, counter-cyclical capital buffers, global co-operation and banking taxation, so **The British Bankers' Association (BBA)** is publishing a series of papers on its website setting out the banking industry's view of the necessary 'Next Steps for banking'.

In terms of credit support for the UK economy, foreign lenders withdrew or downscaled their lending available for companies, while specialist mortgage lenders in the buy-to-let, self-certified and impaired credit areas left the mortgage market, so that the main high street banks are expected to fill those voids. However, much reduced wholesale market funding and subdued retail deposit inflows mean that the cost of funds is still elevated relative to the historically-low official Bank Rate,

thus impacting on loan supply. Political exhortations and lobbying by business suggest that banks' commercial lending decisions should be tempered by a notion of acting in the 'public good' to increase credit, without paying any regard to the inevitable reduction in borrowing demand associated with a recession. And at the same time, banks are being forced to build up their capital, contradicting their ability to lend.

The financial markets crisis has and will have impacts on the compilation of official and non-official data and its use by analysts and commentators to describe economic activity. **The Financial & Economic Statistics Users Group (FESUG)** engages with the Bank of England (BoE), the Office for National Statistics (ONS), other government departments and the United Kingdom Statistics Authority (UKSA), with recent and current issues covering the following:

BoE lending to individuals data will not be affected by future securitisation activity – underlying assets (of around £250bn) will no longer be switched between the banks and building societies sector (now named as the homogenous 'monetary financial institutions' sector or 'MFIs') and the 'other lenders' sector.

ONS review of revisions to GDP early estimates found that there was some evidence of an historical upward bias, but the extent and direction of revisions are neither stable nor predictable. The reassuring finding was that revisions are reducing over time and are averaging at only around + 0.05 percentage points.

ONS review of statistical and analytical challenges arising from the financial crisis and recession has led to improved focus on financial sector balance sheets, accessing additional data sources and improving methodology to keep pace with financial innovation.

UKSA assessment programme, with recent consultation around GDP and Insolvency statistics

As the country enters the pre-General Election phase, political use or mis-use of statistics will come to the fore and it is very likely that the banking system will form one of the main electioneering topics. A well-performing financial services sector, employing over one million people, generating £30bn of net exports annually, contributing more than 8% of GDP and retaining its position as the third largest banking sector in the world behind the US and Japan and the biggest in Europe, is vitally important for the UK economy.

EDITORIAL**CAN USERS EVER BE HAPPY FOR LONG?**

The media would have us believe that the entire country is mesmerised by coverage of the forthcoming election and we have been treated to interviews, debates, speculation, interpretation, examination of policies, and opinion poll results indicating the colour of the next government as well as the usual personality analyses and comparisons. By contrast, readers of this publication are given a thumbnail view of the main contending parties' attitudes and possible treatment of official statistics after the election as presented by three representative speakers at a meeting attended by several hundred statisticians. A much-wished for objective is the improvement of public trust in official statistics and the enactment of the Statistics and Registration Act followed by the establishment of the UK Statistics Authority, which is proving muscular in its actions, and further likely reductions in the time allowed for pre-release access, encourages hope for progress on this. Consultations are proliferating though against a background of further tightening of budgetary screws. What about an Index of Statistics Wellbeing – would it behave cyclically – or a Survey of Users' Happiness?

FUTURE SBE MEETINGS

Thursday 22 April 2010 (12.00-2.30)

City of London, Guildhall, London EC2

HOW CAN WE ASSESS WHETHER MARKETS ARE FAIRLY VALUED?
MARK SALMON, Warwick Business School

Tuesday 25 May 2010

CIPFA, 3 Robert Street, London WC2 (6.0pm)

EUROINTELLIGENCE AND THE FINANCIAL TIMES
WOLFGANG MUNCHAU, Financial Times

Wednesday 30 June 2010 Annual Conference

One Great George Street, London SW1

SUSTAINING THE RECOVERY

ROBERT CHOTE, TREVOR GREETHAM, THOMAS MEYER,
RICHARD PORTES, ADAM POSEN

All enquiries about attendance or membership:
Society of Business Economists 01264 737552 or admin@sbe.co.uk

NEWS FROM RSS

THREE PARTIES' VIEWS ON OFFICIAL STATISTICS

Report of meeting on 22 February 2010 by Ulric Spencer

The Royal Statistical Society's Official Statistics Section and National Statistics Working Party attracted an audience of more than 350 to Central Hall, Westminster to hear from MPs from the three main parties, two of them former ministers, express their views on and attitudes to official statistics as a pointer to the post-election situation.

David Hand, (President, RSS) cited the ONS 2004, 2005 and 2007 surveys on public trust in statistics, which showed it to be low and echoed by the Eurobarometer 2007 survey on trust which listed the UK as having the lowest score in Europe. He said that statistics were the mirror through which we viewed society, and which should not be cracked.

James Plaskett (Labour) said things needed to be made better, the system's structure made tidier. All statistics should be brought under the Code of Practice, which should be made statutory and with the kitemark system introduced by the UK Statistics Authority extended to all government departments.

What is the problem with pre-release access, he asked? Ministerial comment is required instantly by the media, so he thought there was a case for it, though he was not categorical about the length of time that was necessary. Perhaps the chairs of all Select Committees should also have access, he opined.

While the data from the 2011 Census were essential, he reflected that the Committee on the London Region were concerned about mismatch resulting from inaccuracies such as occurred in the previous Census. He thought a subsequent report, on how Census data are used and how expenditure based on the data are used, to throw light on how savings might be possible.

The key in 10 years time would be revealed in how the UK had changed in the international 'trust' league table.

Francis Maude (Conservative) was of the opinion that though the quality of statistics was important, the quantity produced was questionable (NB. In this respect his stance had not changed since his introductory remarks made at the Statistics Users' Council Annual Conference in 1988, when he referred with approval to the Cabinet Office Scrutiny of Economic Statistics and a parallel DTI review he had instigated, which endorsed the 1980 Rayner view that official statistics were primarily for government use and that their volume should be reduced).

The UK Statistics Authority imposes a discipline for both Government and Opposition. He supported the principle of independence for it. It was important for financial markets and fiscal policy, and for making the workings of government transparent such as publishing expenditure over selected thresholds.

He felt that politicians should control what data were collected; when he had been a DTI Minister he had been conscious of the 'burden' of official data collection (Will this myth, which has also infected Eurostat's stance and terminology, never be put to rest? Ed). The more Government knew the more it wanted to interfere, he suggested.

He thought the budgeted cost for the Census had doubled between 2001 and 2011, though the collection method had not changed. He referred to the 'missing respondents'. He wondered whether the extent of public compliance and reliability of the results might be affected by the length and intrusiveness of the questionnaire, which had grown from 20 to 32 pages, citing the question on religion as an example; in support he quoted **Sir John Kingman** – "more complicated, less accurate". The exercise could and should be less expensive – though the new household database would be 'dumped' afterwards (an unjustifiable waste of expenditure some thought). It appeared that the forms were going to the printer in March 2010; did it really need 12 months for this, he asked? He supported the 'after 2011' project and said we needed to compare practices in other countries which managed without full censuses. Also data were often out of date when put to use.

Vincent Cable (Liberal Democrat) recognised how politically sensitive statistics were. Population and migration projections may be wrong. It was important to have reliable statistics for election time. Before the passage of the Statistics Bill through Parliament, he had not been satisfied about the pre-release arrangements – comparisons with those in other countries were unfavourable. He had concerns about the discrepancies in standards between national and official statistics, and parliamentary accountability and independence of the new Statistics Authority from HM Treasury.

As to the availability of money, he was not in favour of ring-fencing the statistics budget, but its treatment was not necessarily the same as that of departmental budgets.

A lively Q&A session ensued, which produced sympathetic noises in support of several desirable principles. At the end it was not entirely clear how each party would tackle the problem of how to improve the public's trust in statistics.

Other reports on this meeting are available from the Royal Statistical Society (blog.sciencecampaign.org.uk/?p=606), the Market Research Society (research-live.com/news/government/statistics-authority-power-should-be-extended/4002132.article), and Straight Statistics (straight-statistics.org/in-the-news/2010/02/22/improving-public-trust-statistics).

NEWS FROM HMRC

REVISED TRADE STATISTICS LEGISLATION

HMRC has implemented revised EU legislation for trade statistics, effective from 1 January 2010. The regulations relating to trade with non-EU countries (Extrastat) provide greater clarification and take account of modernised customs procedures (e.g. Centralised Clearance). The regulations relating to trade with other EU Member States (Intrastat) have been amended to bring Intrastat more in line with Extrastat. They also provide the basis for the compilation of further datasets linking trade and business statistics, and for collecting currency of invoicing data for non-EU trade, which should be available next year.

The main changes to trade statistics data resulting from the legislation are as follows:

- Exclusions – Many of the items previously listed as exclusions have been removed from the exclusions Annex. Most of these relate to low value trade such as personal effects where there is unlikely to be information available. Where it is, it is now included in the statistics. Data on humanitarian aid is no longer on the list in line with the recommendation of the UN Concepts and Definitions for International Merchandise Trade Statistics (IMTS). In practice such trade is likely to be declared orally to Customs, so will not be captured.
- Definition of ownership when applied to vessels, aircraft, sea products and spacecraft – Such trade is now recorded when there is a change of economic ownership, defined as 'the right of a natural or legal person to claim the benefits associated with the use of a vessel or aircraft in the course of an economic activity by virtue of accepting the associated risks'. Change of ownership for vessels (and sea products) and aircraft was previously linked to a change in the corresponding register. This addresses the risk of gaps in recording where vessels (particularly) were not on the UK register.
- Reduction in the coverage requirement for Intrastat – Member States are now required to collect 95 per cent of their intra-EU arrivals trade by value (a reduction of 2 per cent). This has resulted in an increase in the threshold for Intrastat arrivals from £270,000 to £600,000. HMRC has implemented enhanced estimation methodologies to take into account the reduction in coverage and to maintain quality standards.

In addition HMRC has introduced the following changes to improve the quality of Intrastat data:

- Net Mass Estimation – Since 2006 businesses have not been required to report net mass where there is a requirement to report a supplementary unit. From 1 January 2010 net mass will be estimated where it is not reported, to provide users with a complete representation of the data.
- Non-response estimation methodology (partial response) - Monthly EU data includes an estimation for Intrastat declarations which have not yet been received from businesses. The current methodology has been enhanced to include a short term additional estimate to account for businesses which only partly declare (partial response). This is to increase the accuracy of the earliest provisional releases of aggregate data, and will not impact on final published trade data, or that at detailed commodity code level (CN 8-digit).

Further information on these changes can be obtained by emailing HMRC Trade Statistics via uktradeinfo@hmrc.gsi.gov.uk

HOUSING STATISTICS USERS' GROUP FORMED

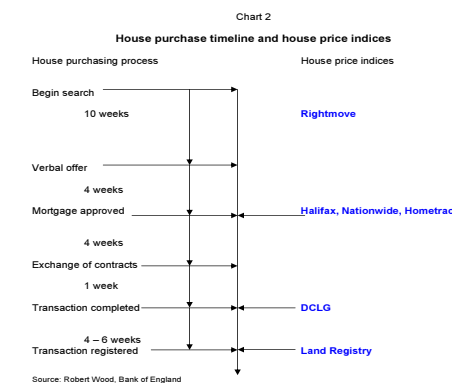
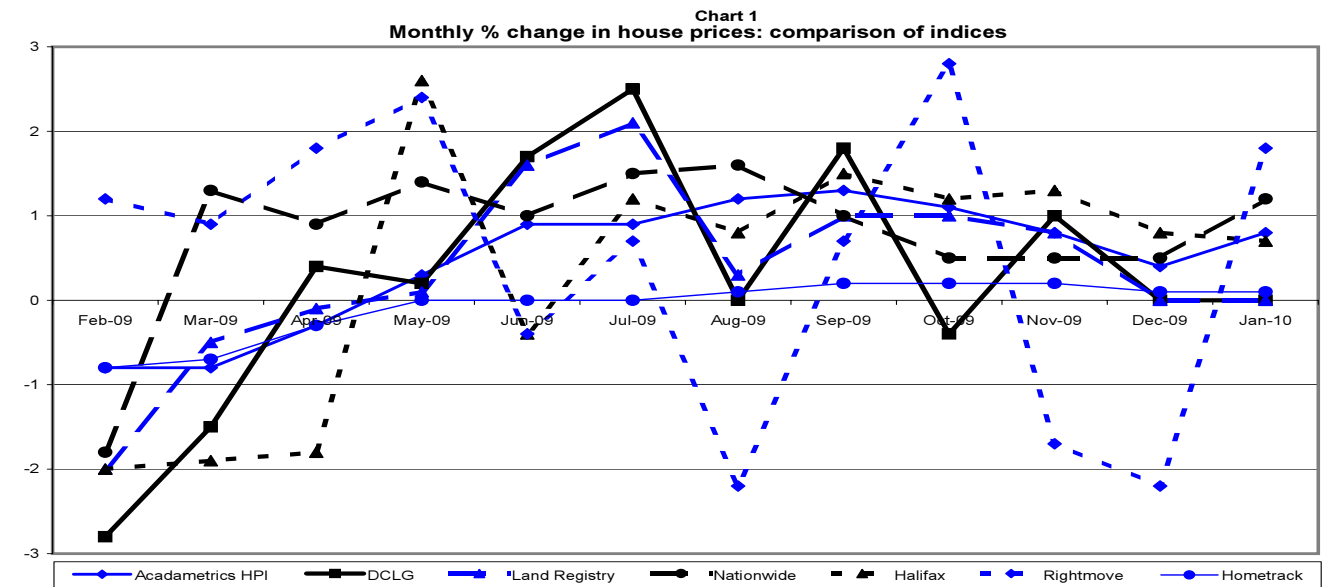
On 26 February an audience of about seventy attended the inaugural meeting of a new user group, Housing Statistics Network, which would be affiliated to the Statistics Users' Forum, to hear half a dozen speakers describe various aspects of the subject and demonstrate its wide range.

Meg Green (Department of Communities and Local Government) gave an overview of housing statistics covered by her Department. Their aim was to meet and focus on users' needs. Key series were those dealing with house prices and repossessions. As elsewhere, there was pressure on public spending. Both with existing and new data sources, it was important to get the most out of the statistics, there were ongoing consultations on reducing survey costs.

Her colleague, **Trevor Steeples** described the coverage of DCLG statistics in detail. These included: housing stock – vacant, conversions and demolitions; net housing supply, house building, affordable housing supply, housing renewal, including disabled facility grants; homelessness, housing market and prices, household estimates and projections, household characteristics, housing finance and household expenditure, social housing, including right-to-buy and transfers, house conditions, including decent homes, local authority strategy and business plan data, repossession activity, and rough sleeping in England.

Data are primarily collected from local authorities, quarterly and annually and from elsewhere there is the Regulated Mortgage survey, the English House Condition survey, and information from the Homes and Communities Agency. There are publications on methodology and changes to the household projections. User groups managed by the Department are the Household Projections Expert Group and the English Housing Survey Advisory Group.

Peter Williams, (Academics) asked if the Monetary Policy Committee should treat house prices as a more important indicator. Obviously there were considerable differences in price levels between London and elsewhere. He wondered how house price statistics were used and showed this composite time series chart comparing the seven indices which were regularly published, using different methodologies with varying timeliness and accuracy, commenting that they characterised different time lags at which data were captured.



Steve Wilcox (Centre for Housing Policy, University of York) discussed statistics on the private rented sector, **Hal Pawson** (School of the Built Environment, Heriot-Watt University) presented some analysis of the homelessness prevention statistics, and **Christine Whitehead** (Centre for Housing and Planning Research, Cambridge University) spoke about social housing statistics, the Regulatory Statistical Return and the National Register of Social Housing.

Details on the Housing Statistics Network are available at www.housingstatisticsnetwork.co.uk



NEWS FROM UK STATISTICS AUTHORITY APPOINTMENTS

From 1 February 2010, **Dr Colette Bowe**, a former member of the Statistics Commission, and **Sir John Shortridge**, formerly Permanent Secretary of the Department of Innovation, Universities and Skills have been appointed as non-executive members of the UK Statistics Authority for three years and **Lord Rowe-Beddoe** and **Prof David Rhind** have been reappointed for a further two years.

Just as the Public Administration Select Committee, which includes in its remit the Cabinet Office, with responsibility for UKSA oversight, has begun to establish some understanding for statistics, it has emerged that its Chairman, **Dr Tony Wright** will be retiring as an MP.

FURTHER REFLECTIONS ON GDP SUBSTITUTES

Following the publication of the Stiglitz Commission report on the Measurement of Economic Performance and Social Progress, noted in **IBSUG News 43**, November 2009, an article ('GDP RIP 1933-2001') by Nic Marks, Centre for Wellbeing, New Economics Foundation in the Royal Statistical Society's publication **Significance**, March 2010, further attacks over-reliance on GDP as a measure of progress and promotes a Happy Planet Index derived from Happy Life Years/Ecological Footprint. The UK is ranked as 74th in an international table of 143 countries with an HPI value of 43.3; top of the table is Costa Rica, HPI 76.1, bottom is Zimbabwe HPI 16.6.

NEWS FROM RSS

Brief reports on two of the Royal Statistical Society's Sectional Groups February meetings are published in its April **RSS News**: the Business and Industrial Section's half-day workshop on 'Innovation and firm performance in services: are we measuring them correctly?' and the Official Statistics Section's meeting on 'Recent developments in seasonal adjustment of official statistics'

