



SCOTTISH EXECUTIVE

Finance and Central Services Department

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Dear Mr Allsopp

STATISTICAL REQUIREMENTS FOR MONETARY AND WIDER ECONOMIC POLICYMAKING

I am writing on behalf of Dr Goudie, in response to your letter to him of 12 June 2003, and the subsequent meeting between your team and representatives of the Scottish Executive in order to formally set down some of the key issues we would like you to take in to account in your review of statistical requirements for economic policy making.

You will recognise most of the issues from the wide ranging discussion during your visit to Scotland, however there are some additional points which we felt were worth raising at this stage. I have attempted to follow the broad structure we agreed in the attached note, and hope you find this helpful. I have included the main points arising from your meeting with my colleagues in Glasgow.

If you require any further detail, please do not hesitate to get in touch. We would be more than happy to meet again to explore any of these issues further, if that would be helpful.

Yours sincerely

Jill Alexander
Senior Statistician

Copy to: Andrew Goudie
Rob Wishart
John Ireland

SCOTTISH EXECUTIVE CONTRIBUTION TO ALLSOPP REVIEW OF REGIONAL STATISTICS

High level/strategic

- It is vitally important that the review recognises that a devolved Parliament/Administration must have the information and analysis required to have a good understanding of the economy of the country/area for which it is responsible, therefore the very basic macro-economic indicators are essential; GDP, productivity, employment/unemployment, trade, expenditure/revenue, linkages etc.
- There is a clear need to recognise the new environment in which we are producing economic statistics both at the UK and at the sub-UK levels, and to identify what is required in order to monitor and deliver within the various levels of central and devolved government
- In order to develop, monitor and deliver on policies within Scotland, we clearly require a full range of micro-level indicators such as those which reflect the determinants of productivity, unemployment, economic deprivation etc.
- There are a range of aspirations/targets which have been developed in Scotland, progress against which must be recorded. These are outlined in several high-level strategic documents including the latest 'Partnership Agreement' between the 2 coalition parties, and the Enterprise, Transport and Lifelong Learning Department's 'Smart, Successful Scotland'. Many of the targets compare Scotland with OECD countries.

Technical

- Recognise that there are 2 different aspects to measure; trend/growth of regional economies, relationship between regional economies.
- Note the recent development of Scottish economic statistics, within the Scottish Executive, over past 4 years which includes; quarterly GDP, manufactured exports, annual IO tables and GERS consistent with ESA95, improved small area labour market information IN particular, main priorities for 2003/4 include;
 - The boost to the Labour Force Survey for Scotland, which is being funded in partnership with the Scottish Neighbourhood Statistics project, Scottish Enterprise and DWP. This represents a major enhancement to what is likely to become the core part of a fully integrated household survey that is currently being piloted by ONS. The boost will result in bigger samples for Scotland allowing more detailed analysis of characteristics within the labour market, for smaller geographic areas. This in turn will improve the Executive's ability to benchmark and monitor progress with policies designed to target issues identified in '*Smart Successful Scotland*' and the '*Social Justice Annual Report*' such as work-less households, 16-18 yr olds not in education, training or employment, and to develop better understanding of a range of factors affecting worklessness in Scotland.
 - Introduction of the new annual chainlinking methodology and other GDP related developments, including consideration of new industrial series and more timely estimates.



INVESTOR IN PEOPLE



- Working in partnership with Scottish Development International to develop estimates of Scotland's exports in all economic sectors, and generating a better understanding of the extent of internationalisation in the Scottish economy.
- Initiating a review of the economic statistics that are produced for Scotland. This will be done to fit in with the ONS National Accounts re-engineering project, and should result in the long term in a more cohesive set of 'economic accounts' for Scotland.
- Working in partnership with VisitScotland and Scottish Enterprise to develop Tourism Satellite Accounts for Scotland which will allow a better understanding of the importance and impact of tourism on the Scottish economy to be measured and monitored.
- Driving forward the priority of sub-National economic statistics within the National Statistics agenda.
- Working with ONS to improve the quality of Regional Accounts for Scotland.
- Working with DWP to develop a final grossing regime for the Family Resources Survey, which in conjunction with the Scottish boost we are funding, will allow the estimation of more robust analysis of household income in Scotland.
- Boost of the Annual Business Inquiry
- [Analysis of R&D expenditure and activity in Scotland](#)
- We should be clear about what definition of 'regional' is being used – while there is a need to make comparisons at the Scotland level, the main interest in Scotland is in productivity/growth gaps within Scotland – NUTS2/NUTS3 levels and below.
- An understanding of the mechanism and factors underpinning productivity change is important: competition and enterprise dynamics, skills, innovation, investment.
- Issues have been arising about the compatibility of UK regional estimates with those produced for Scotland – we have been attempting to address these jointly with ONS. Our 'vision' aim is to produce single estimates on an agreed, and if possible 'partnership' basis, making best use of all existing data and knowledge, across Departments and Administrations.
- Scotland and other DA's are significantly more advanced than most English regions in terms of producing economic statistics, and demands for information are therefore likely to be different. We would recommend that in order to make early wins/tangible progress, any plan for the development of regional economic statistics should include short/medium term aims for England/Wales/Scotland/NI, and longer term aims for the regions within England.
- It is our view that improvements in UK regional statistics will require some fundamental changes in sample populations, designs and sizes, and the subsequent grossing/analysis/methodologies. For example the sample of the e-commerce survey is not currently stratified by region, making it impossible to consider a Scottish boost. It should be noted that ONS are beginning to acknowledge the importance of this basic data quality improvement over the production of new outputs in the short/medium term, however we would argue that this work should receive higher priority within ONS.



- We would wish to note our serious concern that EU funding allocation decisions, and other distribution calculations within DAs and regions are being made on the basis of insufficiently robust data.
- While we fully recognise the difficulties faced over the last year by ONS, the timeliness of data is a significant issue in Scotland – latest value GDP estimate is currently for 1999 – this makes it very difficult to monitor and report on economic/productivity comparisons, economic development performance etc.
- The Scottish Executive, like other DA's is under continuous pressure to create targets based on economic growth – including sustainability. This is being resisted in specific terms as it does not make sense for Scotland, but the higher level aspiration to improve economic performance and productivity must be monitored, and we require data of sufficient quality and timeliness to deliver the relevant advice to the Scottish ministers, Parliament etc.
- While we consider the improvement of the basic data quality/timeliness to be the priority, there are data/information gaps for Scotland which would require to be filled if we were to develop a more comprehensive understanding of the drivers and linkages within the Scottish economy; wealth/assets, financial sector information, GNP, Consumer/producer price indices, sustainable development indicators, capital expenditure/investment, knowledge investment/innovation, research and development, e-commerce.
- The maintenance of the frameworks underlying the collection statistics - IDBR and geographic reference systems - is of fundamental importance. Particularly an improvement of the quality of coding, employment and location information held on the IDBR for local units is required.

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