

STATISTICS FOR BETTER DECISIONS

A SUCCESSFUL AND USEFUL BSUG CONFERENCE

At the BSUG *Statistics for better decisions* Conference held on 7 June, **Len Cook**, the National Statistician, kicked off with a 'rapid-fire' keynote address. He introduced himself as having variously been described during his tenure in the UK "as being to statistics what Rolf Harris is to Art", his appearance "a squashed Groucho Marx" and "a moustachioed Antipodean".

He referred to the effects of globalisation on statistics, the significance of the New Earnings Survey data for economic policy and the climate of deregulation. In the 1980s, statistics were perceived to be a commodity; this allowed Rayner to recommend as he did but, with hindsight, his impact had been to ossify the system and to concentrate on macro data. Official statisticians had not been very good at defending their territory. By the 2000s coherence had become a much-valued strength; indeed Pickford's UK statistics

review had been well-regarded enough to 'export' him to repeat the process in New Zealand.

The ONS's future was now strongly influenced by Allsopp's proposals. The UK was backward compared to other countries in using *all* sources of statistics and there was a need for a fundamental shift. It had become necessary to know more quickly what was going on in the economic area.

It had come to light that 70 per cent of population change now derived from immigration.

Short-term series need to be coherent and considerable effort is being directed towards this end. For example, the uses of 3-month moving averages mean that data outputs are 6 months in arrears. Integrated markets also bring pressures. An example is that the ECB requires *monthly* Balance of Payments data; hitherto, the UK has been content with annual and quarterly figures. However, although monthly estimates are made for Eurostat, these are not published in the UK, despite **Cook's** discouragement of such reticence.

Yet if long-run data series are changed, regular users complain as the foundations for their assessments and forecasts are

upset. Moving to *monthly* GDP brings new requirements.

The IDBR (Inter-Departmental Business Register) is being redesigned to produce a single business directory. And there is a need for more investment in methodology, not something that can be switched on and off.

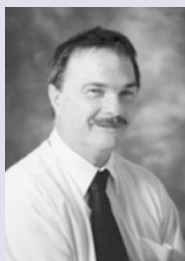
The GSS needs to have more understanding of the use of statistics; this may have the effect of turning statisticians into auditors. For official policy, such as serving the MPC's needs, statistics are used not just for monitoring performance but also evaluating it.

The future statistics regime raises expectations and challenges. For example the official annual publication, the latest one being **UK 2005; the Official Yearbook of the United Kingdom and Great Britain and Northern Ireland**, whose annual hard-copy sales have been about 5000, is being discontinued as unviable.

More use will be made of the web for responding to contributors, who will be encouraged to produce more effective accounting returns as satisfying statistical

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CBE for Len Cook



Congratulations to Len Cook, whose tenure as National Statistician has been rewarded with a CBE in the Queen's Birthday Honours list.

As reported in BSUG News 28, he is returning to New Zealand at the end of August and the search is proceeding to find his successor.

EDITORIAL

BSUG A VALUED CONSULTEE

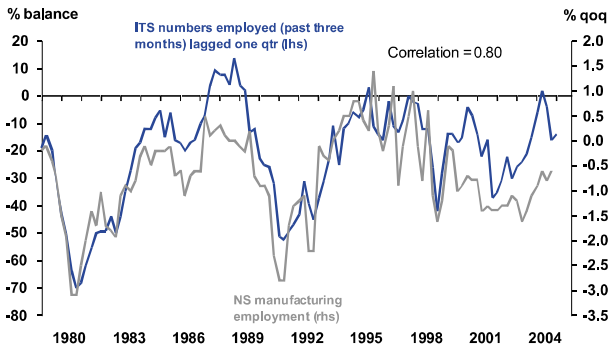
The successful recent BSUG Conference on 'Statistics for better decisions', which attracted a panel of excellent speakers from government, consultants, and the CBI, and a good attendance, indicated that there is considerable continued interest in learning from those involved in collecting and publishing of statistics about data availability and forthcoming changes. It was therefore encouraging to hear that BSUG was included among those who are valued by government in the consultation process. The extensive changes described by the speakers from ONS gave a strong flavour of the nature of

the subject matter destined for consultation.

The question, which has been asked at meetings from time to time and remains unanswered, is how many and what changes consultees' responses to proposals floated for consultation have actually resulted in being accepted and implemented? For it is only when there is some evidence of such uptake that there might be increased input into consultations from users. Perhaps attendance at the ONS Open Day in September (see details on page 3) might be another opportunity to voice one's views?

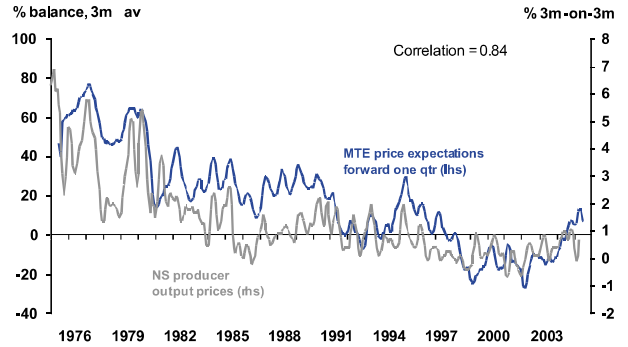
A SUCCESSFUL AND USEFUL BSUG CONFERENCE

Survey and official out-turns: manufacturing employment



Source: CBI Industrial Trends Survey, National Statistics

Survey expectations and official out-turns: manufacturing output prices



Source: CBI Industrial Trends Survey, National Statistics

demands so that in this and other respects there will need to be less duplication of requests for information.

The 'infrastructure' needs continued investment and presents considerable opportunity. Though the architect of the current phase of ONS development, **Cook** confessed that he did not know what the statistical landscape would look like in ten years time. "Who would have forecast the needs of devolution?" he said.

Vicky Pryce, Chief Economic Adviser at the DTI, followed with a presentation on 'The Main Drivers of Economic Policy' from a contrasting perspective, that of a producer and a user of statistics. She concentrated on micro rather than macro. The Department had wide statistical interests eg insolvency, regional competitiveness, construction (destined to transfer to ONS), energy, small businesses, inward investment and competitiveness.

PSA targets had to be set for example on productivity, research and innovation performance, fair and competitive markets, and regional and economic performance. The first of these – productivity – is the most important.

The availability of comparative international data was important; the EU had improved the quantity of what was available.

Emphasis was shifting away from manufacturing towards services, where there were marked differences in productivity. In addition, there was a perceived risk that the

increase in regional data, would come at the expense of sectoral data. It was the DTI's aim to try to retain as much sectoral detail as possible as this is important for their analysis.

Her talk was illustrated by charts on GVA, R&D, productivity comparisons with some other countries, (see below).

She identified the five drivers of productivity as: innovation, enterprise, skills, investment and competition.

Adrian Cooper, Managing Director, Oxford Economic Forecasting, after outlining the services OEF offered, in speaking about 'Forecasting the Economy', mentioned five approaches used by forecasters:

1. No formal procedure
2. Trend extrapolation
3. Time series models
4. Survey-based methods
5. Econometric models

For the UK there was a continuing data requirement for more detail. He suggested that despite 30 years of improvements in data, computers and techniques, little progress has been made in reducing the size of errors in forecasts. Why?

Contributory factors he suggested included: complexity of the real world, behaviour, unforecastable shocks, and economists' ignorance of how the world works. He suggested that this emphasises the importance of scenarios and risk analysis in forecasting.

Good data – timely, reliable, comprehensive – is a key element in economic modelling and forecasting. But they must be used intelligently and in context.

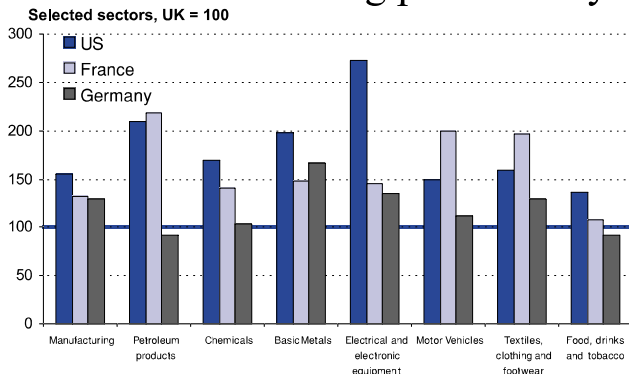
Doug Godden, Head of the Economic Analysis Group, CBI, illustrated his presentation on 'The role of CBI surveys in assessing the state of the economy' with charts derived from two such surveys, the quarterly (manufacturing) Industrial Trends Survey (ITS) with data since 1976 and one of the ITS Answering Practices Surveys conducted in 1998.

The CBI now has seven regular surveys: Industrial Trends, Regional Trends (with Experian), Distributive Trades, Financial Services (with PwC) Service Sector (with Grant Thornton) and of more recent origin, Property Trends (with GVA Grimley) and Regional Economic Survey (with RDAs and Experian).

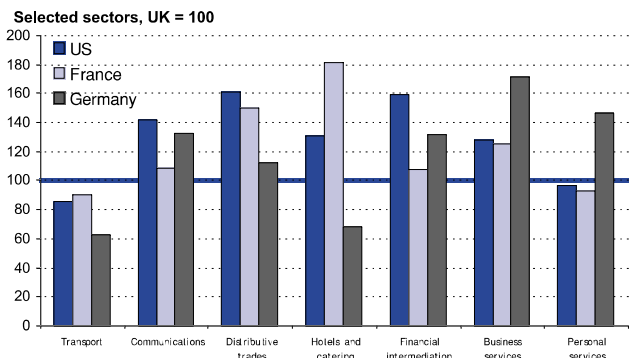
Inevitably, these surveys are more up-to-date than official ones but though they produce numbers, yielding 'balance statistics' their basis is qualitative opinions. The results are weighted but are not subject to revision or seasonal adjustment, though respondents are asked to exclude seasonal variations. (Interestingly the EU uses the figures applying seasonal adjustment to them.)

Some of the ITS variables are related to official data eg output, prices, employment; others are unique in the ITS eg capacity utilisation, constraints on activity or are concerned with mood, expectations and plans.

UK manufacturing productivity



UK services productivity



There is a good match between expectations and out-turns in output, and between ITS and official data on output (correlation 0.62), employment (correlation 0.80) and prices (correlation 0.84) – see accompanying charts. As a result of empirical work, the findings contribute to the production of ‘trends-based forecasts’. Interestingly the match between manufacturing optimism and GDP in the following year has become weaker as manufacturing reduces in size in the economy.

Amongst the data presented on the Answering Practices Survey was the finding that of the survey respondents, 52 per cent were the Chairman, Deputy Chairman or Managing Director and 37 per cent a functional director.

A discussant commented that although often businessmen denied using statistics, they were, in fact, doing so in forecasts and other indirect means.

Merja Hult, from Structural Business Statistics (D3), Eurostat, spoke about ‘European requirements for statistics and developments at Eurostat’. The purpose was to provide the EU with high quality statistical information using official and harmonised data. In conjunction with National Statistical Institutes (ie Offices), it was part of the European Statistical System. Statistics, in underpinning policy-making and monitoring, needed EU-level aggregates and comparisons between countries and regions. Examples of these needs included data on: competitiveness of sectors and enterprises, productivity, ICT investment, human capital, R&D and innovation, the knowledge economy and knowledge management, intangible assets, e-business processes, entrepreneurship, international outsourcing and foreign affiliates (compare the DTI’s drivers listed by **Vicky Pryce** on page 2). She suggested that the main users were the ECB and the EC Directorates –no mention of external users.

There was greater pressure for timeliness for Principal European Economic Indicators (PEEIs) which were short-term statistics for economic and monetary policy. Other developments included services prices and import prices for the eurozone; also a need to balance data availability for both industry and services.

Eurostat’s priorities were stated to be: making quality data available to users; a structured approach to the development of new statistics; balancing new user demands with negative priorities (Eurostat for ‘reduction’ eg as proposed by Allsopp); reduction of burden on businesses (achievable by better use of existing data and administrative sources, data linking at the micro level, using new technologies eg electronic questionnaires, reduced seeking of survey participation by SMEs, improved questionnaire design, and use of EU-level samples.

A brief reference was made to cost-benefit analysis, but in the main the focus was on the ‘burden to business’, with no real assessment of the benefits which businesses derive from having the data.

Hult drew attention to the availability of non-disclosive data in New Cronos free of charge (<http://epp.eurostat.cec.eu.int>, website with a new browser containing

large data files), the Statistics in Focus (short analyses) and the Panorama (comprehensive overviews) series.

Finally, **Martin Brand**, Director, Surveys and Administrative Sources Directorate, ONS, described recent and future ONS developments. The Statistical Modernisation Project has a number of elements: a corporate database system (CORD); re-engineered key statistical systems eg National Accounts, labour market; a set of standard tools eg X12 seasonal adjustment; and standardised and systematised processing and presentation of statistical outputs.

CORD has central repositories for data and metadata, and one large integrated data warehouse.

The benefits of modernisation to users include: better quality, timeliness and metadata, more responsive/reduced development time, more analysis and there are further potential gains to come in quality and efficiency through rationalisation and integration of business surveys.

One project is to re-engineer the Inter-Departmental Business Register, which is used as the sampling frame for ONS business surveys. The other is the Business Surveys Integration Project (BSIP). This would develop a world-class portfolio, with better quality, more coherent and reliable information, more flexible and responsive service to key customers, and increased value for money. Also included would be increased use of administrative sources to minimise businesses’ compliance costs. And then there is the major element of implementing Allsopp’s recommendations, specifically relating to regional and service sector outputs.

The components of BSIP envisaged include:

- a Business Register and Employment Survey (BRES) designed to maintain IDBR local unit data, support regional estimation, and act as the basis for annual employment estimates;
- a Monthly Business Survey (MBS) to yield turnover data from all sectors, possibly monthly or quarterly data on employment and/or inventories, etc; and
- an Annual Business Survey (Regional) [ABS (R)] to replace ABI and give national and regional data as well as GDP/GVA.

Whilst addressing much of Allsopp, not included are the Expenditure and Food Survey, SERVCOM (which is resource-

constrained), regional price surveys, trade in services, and public sector jobs.

Inevitably there are other resource constraints – funding, staff, especially methodologists, and compliance costs, especially for SMEs. There are inter-dependencies between BRES and IDBR, and with MBS and ABS. In addition there is other modernisation work, SIC 2007 and a new SNA.

To implement this work it is necessary to obtain agreement in principle on scope, timing and funding; consult with customers and other stakeholders on overall design and broad coverage of each survey. A web document on this is envisaged in early 2006. There would follow methodological development, detailed design development and consultation with customers, and testing and parallel running, quality assessment and investigation of potential discontinuities.

BSIP is a long-term programme entailing new methodologies and systems, needing careful research, and testing, and parallel running; for BRES this would probably start in 2008.

In referring to examples of exploiting administrative data, **Brand** analysed the characteristics of data from Companies House (annual accounts), HMRC (tax), and Inland Revenue Valuation Office (floorspace).

Other work in hand mentioned was: a new Public Sector Employees Survey, which does not include all public bodies and probably underestimates growth in local authorities (Q4, 2004 was published on 11 March, Q1, 2005 is due on 15 July); the Annual Survey of Hours and Earnings which replaced the NES: with a better sampling frame, and treatment of non-response, weighting and published quality estimates; for PRODCOM estimates, changeover to annual only coverage and speedier publication; the experimental Corporate Service Price Index – business to business prices, covering so far 32 industries, extension to advertising and computer services is anticipated within 2-3 months.

A new *Guide to Business Surveys conducted by ONS*, specially prepared for the Conference by **Jennifer Brown** and **Chris Dowsett**, giving brief descriptions of 53 surveys and their provenance, was included in the delegates pack. Further information available from ONS, 1 Drummond Gate, London SW1V 2QQ Tel: 0207 533 9233; Fax: 0207 533 9292. ■

FORTHCOMING ONS MEETING

National Statistics Open Day 2005 Addressing Users Needs in the 21st Century

Tuesday 6 September 2005, Victoria Park Plaza Hotel, London

The National Statistics Open Day gives UK non-central government statistical users the chance to hear about latest developments and to discuss future direction and priorities. Key speakers will be from The Statistics Commission, The Royal Statistical Society/ESRC Statistics Users Forum, National Statistics and Simon Briscoe, *Financial Times*.

A registration form and further information will be available on the NS open day events page <http://www.statistics.gov.uk/events/default.asp>

Places are limited so early booking is recommended. Registration closes on Friday 29 July 2005.

BRITAIN IN NUMBERS

Simon Briscoe, *Politico's*, 2005, xviii + 328 pages, £14.99.

This book is divided into two parts. The first, of some 80 pages, is a revealing discussion of the state of British statistics early in 2005. It is the views of one influential man, the Statistics Editor of *The Financial Times*. It may be particularly useful for those who have not followed every twist and turn of the official statistics world, as well being a useful summary and reminder for those who do. He covers trust, political manipulation, international comparisons, targets (indeed a whole section is devoted to pinpointing some of their weaknesses), National Statistics, quality, release dates, presentation (and misrepresentation), data gaps and revisions. This part is rounded off by a section on 'the politics of official statistics – from the creation of the Central Statistical Office in 1941 to the present through cycles of expansion and contraction.

The creation of the Statistics Commission, in 2000 and its polite and to an extent, open 'debates' with government statisticians, accessible on its website, both on what it perceives to be topics worthy of critical scrutiny and on other issues raised by interested outsiders with government statisticians, represent progress. Yet a report in May 2004 which it had been invited to submit on statistics legislation, on which it recommended positively, has still, over a year later, elicited no government response.

The second and larger part consists of 78 short sections grouped into 11 broad subject areas which review critically what statistics are available on a wide range of topics ranging from population, education, employment, health, through the economy, public and private finance, to crime and rural matters. At various points, brief comparisons are usefully offered of relevant data for a short selection of other countries. It is crammed with material suitable for quiz questions or practitioners of Pelmanism. The framework shadows that of the popular annual government publication, *Social Trends* (the 2005 edition of which is its 35th), but Briscoe's contents and treatment are somewhat different as he draws attention, where appropriate, to shortcomings and opportunities for improvement.

Britain in Numbers would be useful for anyone looking for a wide-ranging handy reference work when faced with a need to answer a quick question, particularly on a topic outside their normal area of expertise. Scope for some improvements: though the Contents page is explicit, an index would be additionally helpful, as well as a collation of website addresses, which are mentioned throughout. And for the next edition it could help if Briscoe decided whether data 'is' or 'are'.

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LET YOUR FINGERS WALK – Update
EVALUATIONS OF NATIONAL STATISTICAL OFFICES' WEBSITES

	2002	2003	2004	2005
January	Ireland	Tanzania & South Africa	New Zealand	Germany
February	Japan	Switzerland	Romania	Iceland
March	Australia	South Korea	Federal Statistics, USA	OECD
April	Mexico	China	Hong Kong	India
May	Hungary	Thailand	Poland	US Bureau of the Census
June	Uganda	Luxembourg	Greece	Uganda
July	Spain	Israel	Kenya	
August				
September	Netherlands	Cyprus	Singapore	
October	UK	Jamaica	Eurostat	
November	Finland	France	Denmark	
December	Estonia	Fiji	Slovenia	

In **BSUG NEWS 18** Ed Swires-Hennessy's website (www.surfingwithed.org.uk), which offers monthly reviews of National Statistical Offices' websites was described. The table shows which sites he has visited in the last three years or so.

He welcomes comments and can be contacted via e-mail (ed.swires-hennessy@gdu-wales.gov.uk), snail mail (The Local Government Data Unit – Wales, 8 Columbus Walk, Cardiff, CF10 4BY), or by telephone (029 2090 9500).

BSUG WEBSITES www.bsug.org.uk
www.dtistats.net/bsug

The **bsug.org** site gives the history, aims and objectives of the Group, Committee members' names and contact details, and information about forthcoming meetings, which can be booked on-line. The **dtistats.net** site gives access to current and back copies of **BSUG NEWS** and, in addition, reports of meetings.

FUTURE SBE MEETING

Wednesday 13 July 2005, 12.30pm
Royal Bank of Scotland, 135 Bishopsgate, London EC2

STATISTICAL PRACTICE AND ROBUST ECONOMIC INDICATORS: HOW FAR CAN WE EXPECT TO IMPROVE COHERENCE, TIMELINESS AND LONG-RUN STABILITY IN A HIGHLY GLOBALISED ECONOMY?

LEN COOK, *National Statistician*

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