

## STATISTICS BEHIND THE GREAT WALL OF CHINA

A recent article in *The Financial Times* illuminated some interesting aspects of Chinese official statistics which cast doubt on their reliability. For example, the sum of GDP reported by its provinces has regularly exceeded the national total. In 2004 expenditure-based GDP reflected growth acceleration, whilst production-based GDP remained unchanged. Economists' forecasts are bedevilled by anomalous data, ranging from a 'hard' to a 'soft' economic landing or even no landing at all.

China has a surfeit rather than a dearth of economic statistics. Ministries collect their own using their own methods, as do the central bank and state planners. The National Statistics Bureau has difficulties in deducing what it all means. However it is handicapped by lack of resources. With 90,000 statisticians, only 3 per cent have university degrees, and its funding and political influence are poor. Its local offices depend on regional authorities, whose employees may have stronger loyalty to their employers when it comes to producing 'better' numbers. Not only does the Bureau charge customers for data, but it also has to pay ministries to acquire their information; and the methodology is a mystery.

China-watchers need to be aware of such pitfalls and their implications for business opportunities. It is a truism that China is vast, is changing fast, and has a government secrecy culture, even between ministries. Its policymaking seems to be more art than science, more 'black magic' than 'black box', with decisions relying on dubious, inconsistent and sometimes no information; it represents an outstanding example of 'Yesterday's Bradshaw'. The miracle is that, despite these handicaps, China's economy has managed to stay on a relatively even keel.

A follow-up piece reporting new figures from a national economic census anticipated a significantly larger GDP than previous measures had indicated, particularly reflecting underestimates in the private service sector. Revised GDP growth has turned out to be £1,119 bn, some 16.8 per cent higher than had previously been published. Using current (not PPP) exchange rates this ranked China as the world's sixth largest economy, behind UK (4) and France (5), displacing Italy. The share of services, previously estimated at 32 per cent of GDP, now turns out to be 41 per cent. Imagine the reactions in the UK to 'revisions' of this scale.

### News from the Chancellor

## INDEPENDENCE DAY FOR ONS

From the CBI conference platform on 28 November, Gordon Brown outlined an intention to grant independence to the Office for National Statistics. This would entail the creation of a Governor, supported by an independent governing board, with expert members from business and academia, and a new form of accountability to parliament. This has similarities to the operation of the Bank of England. Further details on implementation will be forthcoming in the New Year. The hope is that political manipulation of statistics for political advantage would be curtailed and that the foundations would be laid for the building of real public trust, which has already been the subject of much well-intentioned paperwork emanating from statistical organisations. To achieve this is often a long, uphill haul but it can be lost in a flash.

It is not yet clear how this will affect the multitude of statistics produced and published by other government departments or the devolved administrations in Scotland, Wales and Northern Ireland, let alone the myriad of NGO outputs or administrative data. Indeed, the details, including how legislation will be formulated, will be forthcoming in the New Year.

## EDITORIAL

### ONS UNTRUSTED, SPINNERS UNDERMINED

As a bolt from the blue, just preceding his Pre-Budget Review, Gordon Brown chose to use his speech at the CBI annual conference to announce that the Office for National Statistics would follow in the footsteps of the Bank of England by being made 'independent', though 'legislation' was not specifically mentioned, media comment seems to conclude that it is part and parcel. Funny that Len Cook was using this 'I' word at his RSS talk last August (reported in *BSUG News 30*, page 2), much of it linked to 'legislation'. Perhaps it was effectively his 'last arrow shot into the air' transforming itself into a 'last straw' in Downing Street. There has been growing concern about trust, as reflected in various

papers since the late '80s eg *Statistics, a Matter of Trust* (1988), *Building Trust in Statistics* (1999), *Legislation to Build Trust in Statistics* (2004), *Perceptions of and Trust in National Statistics* (2005). A thought-provoking leading article, "The meaning of trust" by Richard Alldritt, Chief Executive of the Statistics Commission in *RSS News* (November 2005), suggesting that it is the official bodies and systems responsible for statistics that need to be trusted rather than the figures themselves, elicited a reader's response the following month proposing the desirability of having a 'Statistical Standards Authority'. The results of surveys commissioned by both ONS and the Statistics Commission enquiring into

the various groups among the public on their views on this added some further evidence to the debate. Attitudes to official statistics amongst a small sample of professionals came across as relatively realistic, though somewhat cynical ie the data quality is relatively good but the interpretation may be tweaked; amongst a larger sample of members of the public, only 17 per cent believed that they were produced without political interference and only 14 per cent that they were honestly deployed. That more needs to be done to change such perceptions now features on a government agenda but if legislation is to be one of the instruments, it could take some time to become effective. The exercise of patience, commended in our previous issue, should continue but its reward may now be one step nearer.

## NEWS FROM DTI

### EARLY CLOSING DAY AT DTI TRADE & INVESTMENT INFORMATION CENTRE

The closure of the DTI Trade & Information Centre, Kingsgate House, Victoria Street, London SW1 reported in **BSUG NEWS 28**, was originally planned for April 2006; however, it was unexpectedly announced in October 2005 that it would be brought forward, and closed on 23 December 2005.

Originally it was anticipated that a 'Virtual Information' service would be provided, via its website, which would bring information direct to users' desktops. Work on the technical feasibility of such a service has been completed, but further work to assess the demand for it, as a chargeable facility, was initiated. Other aspects of feasibility and the business case would be considered in 2006. Meanwhile users are invited to help in the demand assessment exercise by contacting the Centre (0207 215 8000 or the "Contact us" option at [www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk)) to indicate that they would become customers.

### STATISTICS COMMISSION AND ONS AT TREASURY SELECT SUB-COMMITTEE

## UK's ONS not yet in World 'Top Five'

The annual appearances of the Statistics Commission and ONS managements before the Treasury Select Committee's Sub-Committee to be quizzed on their Annual Reports happened on two afternoons last November. The questions ranged widely from public trust in statistics, the review of the Framework Document, classification of PFI schemes, resources, to breaches of the Code. Perhaps the most headline-catching point was the new National Statistician's modest admission that ONS could not yet claim to be one of the 'top five' national statistical offices in the world, though there were difficulties in defining how such a league table is compiled. Some criteria might be levels of public recognition and trust, presence of well-managed systems, methodological leadership, and offering value for money.

Minutes of the Q&A may be found on:

[www.parliament.uk/parliamentary\\_committees/treasury\\_committee/treasury\\_committee\\_reports](http://www.parliament.uk/parliamentary_committees/treasury_committee/treasury_committee_reports)

## NEWS FROM THE STATISTICS COMMISSION

### OPEN MEETING – Report of meeting on 16 November 2005

Following the precedent set by the Commission's Open Meeting in 2004 of inviting three speakers, the 2005 meeting chaired by **David Rhind** heard from **John Pullinger** (RSS), **Karen Dunnell** (National Statistician) and **Dame Patricia Hodgson** (Statistics Commission).

**John Pullinger** stated that "official statistics now matter more than at any time in our history." He attributed low public trust in them to three contributory factors: their pre-release to ministers, whose presentation in the best possible light did not necessarily build confidence; the release in departments other than ONS through their press office undermined confidence; and the difficulties of making intra-UK comparisons for some topics as a result of devolution, which allowed variation of definitions. The opportunity that legislation to increase the National Statistician's power and to change the responsibilities of the Statistics Commission be introduced should be progressed. (He could not have known that its advent would be announced a fortnight later.) The Framework Review would be a step along this road.

Picking up on this theme, **Karen Dunnell** who had worked on developing the Framework and hence had a stake in ensuring that it worked well, felt that although it was too early for a wholesale review but that it provided an opportunity to identify problems and correct those which could be addressed in the short term.

She identified some operational and organisational issues. The former included: anomalies of the scope of statistics which were not included under the rubric of 'National Statistics', subject to control by departmental ministers, which gave rise to a suspicion that they were not covered by the Code of Practice; the difficulties of applying the Code of Practice to management information, often controlled by non-statisticians; and the release of data by statisticians ahead of spin

which could result from pre-release to ministers. On the latter, she cited: seeking ways of strengthening the National Statistician's relationships with Heads of profession and their teams; trying to resolve the tensions which inhibited the production of coherent total-UK data resulting from the creation of devolved administrations, which also had a duty to satisfy local demands; a need to clarify confusion in the statistics community concerning the best role for the Statistics Commission, which needed to work together with the National Statistician to encourage trust in official statistics. She said she was keen to do her best to achieve this objective.

**Patricia Hodgson**, who is retiring from the Commission, gave her personal 'end-of-term' views on its work. She referred to the reports *Official Statistics: Perceptions and Trust*, which revealed the public's low level of trust; *Managing the Quality of Official Statistics*, two thirds of which emanated from outside the ONS, making the authority of the National Statistician more tenuous; and the consultation document *PSA Targets: the Devil in the Detail*, which drew attention to the spread of the target and performance indicator culture, underlining the conflict between objective statistical evidence and selective, or simply perverse, interpretation of figures.

She felt the Code of Practice needed to be less 'woolly' and also stressed the requirement for strengthening the National Statistician's role and the proposed change to the Commission's status.

Among the issues raised in the ensuing general discussion were users' needs for new data and the processes for ceasing publication of particular series.

A fuller account of the meeting can be found at:

[http://www.statscom.org.uk/media\\_pdfs/reports/Open%20Meeting%20report%202005.pdf](http://www.statscom.org.uk/media_pdfs/reports/Open%20Meeting%20report%202005.pdf)

## NEWS FROM ONS & HMRC

### Missing Trader Intra Community Fraud Still Alive, Kicking and Spreading

Types of fraud, previously reported in **BSUG NEWS 22** and **23**, whereby imported goods were sold through a series of transactions prior to being traded between the UK and the EU and within the UK without appropriate VAT payment, has certainly not been eradicated. A second descriptive article (David Ruffley (ONS) and Tricia Williams (HMCE) 'Report on further research into the impact of Missing Trader Fraud on UK Trade Statistics, Balance of Payments and National Accounts,' updating the research work and describing an increased number of sources used to check on comparisons of trade statistics, was published in March 2005 on the ONS ([www.statistics.gov.uk](http://www.statistics.gov.uk)) and Customs ([www.uktradeinfo.com](http://www.uktradeinfo.com)) websites. This labour-intensive task used five data series: HMCE data for UK trade published in Overseas Trade Statistics; UK VAT Box 9 for Arrivals and Box 8 for Dispatches; Intrastat data for UK trade with Other Member States from Eurostat's COMEXT database of trade statistics from all Member States; other Member States' Intrastat data on trade with UK from COMEXT; and European Sales List (ESL) data – the UK's for UK dispatches and other Member States' for UK arrivals. ESL is a mandatory document that traders are required to submit giving for each dispatch transaction with a trader in another Member State the partner trader's VAT registration number and the value of the transaction but without product details. Member States are obliged to maintain databases of ESL data

and exchange information from them to confirm the validity of registration numbers.

Although data from these sources do not match precisely for a variety of reasons, differences were found to be relatively small. The results of the work were presented and discussed at international meetings hosted by Eurostat and OECD, also attended by delegates from UN, IMF and WTO, which extended awareness of the problems. The outcome was that no improvement to the methodology had been found but confirmed the magnitude of current adjustments.

It was announced last December that MTIC fraud was increasing; with the cost to the Exchequer estimated at between £1.1 and £1.9 billion in 2004-5 and that new measures to tackle it were being introduced by Customs. The increasing pressure on fraudsters had resulted in the movement of relevant goods, believed to be largely mobile phones and computer chips, through non-EU countries such as Dubai, Switzerland and Hong Kong in attempts to divert the attention of investigators. However, actions taken by Customs to protect revenue had led to traders appealing against them to the European Court of Justice in Strasbourg, which has upheld their appeal by ruling that HMRC attempts to penalise the traders was illegal. Interestingly Austria, whose EU presidency began on 1 January, has declared that it aims to use its 6 month term to reduce VAT fraud.

## NEWS FROM ONS

### ONS OPEN DAY

The ONS Open Day was reported in **BSUG NEWS 30**; ONS has published its own full reports of the papers and Q&A sessions on its website:

[www.statistics.gov.uk/events/nsopenday2005/agenda](http://www.statistics.gov.uk/events/nsopenday2005/agenda)

### Index of Services: the Trip from 'Experimental' to 'National Statistics'

The monthly Index of Services, covering 27 sectors, accounting for 73 per cent of the economy, has been published since December 2000 as an experimental series. Three of them – Motor Trades, Wholesale and Retail are already classed as 'National Statistics'. Another three – Hotels & Restaurants, Post & Telecommunications, and Land Transport have now been awarded this accolade of quality, advancing the proportion of service industries with this 'quality assured' status to almost 30 per cent. ONS intends to evaluate data for five more sectors each quarter so that the whole Index of Services would become 'National Statistics' by early 2007.

## NEWS FROM THE STATISTICS COMMISSION

### PSA TARGETS: THE DEVIL IN THE DETAIL

The Statistics Commission last October published for consultation a draft report *PSA targets: the Devil in the Detail*<sup>1</sup>. This stems from the proliferation of targets introduced by government as a result of the creation of Public Service Agreements (PSAs) to monitor expenditure under the 2004 Spending Review. While the Commission has no role in determining whether targets are the best way of achieving government policies, it believes it has one in assessing the availability, credibility and validity of data used so as to engender trust in the target-setting process. It therefore set out to test the adequacy of the statistical evidence supporting the PSAs. The result is this compilation of details on 102 targets it identified, grouped by department (some covered jointly by more than one department). HM Treasury has required each target to be

the subject of a Technical Note, setting out a full specification for it, including start and end dates, together with a clear indication of how performance for it will be measured.

A brief summary is provided of treatments of approaches to targeting by the National Audit Office, the Public Administration Select Committee, the RSS, the Social Market Foundation and the Audit Commission.

Among the headings under which the Commission commented on each target were whether it was realistic or attainable, where it felt it could do so with confidence. Aspects examined in the Commission's assessments included: types of measure, clarity of specification, complexity, data sources for quantitative and qualitative targets, timeliness of data, availability,

frequency of publication.

The list of targets includes, for example 11 for the DTI, which relate to productivity, competitiveness, research, innovation, energy, trade barriers, enterprise, regional economic development, international trade, FDI, employment – gender equality, ethnic diversity, co-operative employment relations, and nuclear power.

As indicated in the title of the report, to grasp the implications of the considerable framework of targets, it is necessary to study the detail. Responses to the consultation were requested by 30 November. A final report, reflecting the comments received, was planned to appear early in January.

<sup>1</sup> Viewable on: <http://www.statscom.org.uk/reports>

## NEWS FROM BSUG

### REPORT OF AGM

The Annual General Meeting of the Group took place on November 7th. The Chairman noted that there had been one major meeting during what had been a transitional year for the group with the start of the Statistics Users Forum taking over from the Statistics Users Council. He expressed his thanks to the Committee for their efforts; there was something of a paradox that as the membership of the group falls, the interest generated in the Committee meetings increases. Special thanks were expressed to the Secretary and to the Editor and Publisher of BSUG News – this is the main focus of the group and it continues to provide an excellent forum for news of events and activities in the statistical community.

In approving the group accounts, it was agreed to change the period covered by the membership subscription; in future, this will run from September to August – the subscription for the new year (June 2005 to August 2006) will be held at the current rate of £35.

The existing Officers (see panel below) and Committee were re-elected.

## BSUG WEBSITES

[www.bsug.org.uk](http://www.bsug.org.uk)  
[www.dtistats.net/bsug](http://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.

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## NEWS FROM HM REVENUE & CUSTOMS

### CHANGES IN THE COLLECTION AND PUBLICATION OF NATURAL GAS AND ELECTRICITY DATA

by Jenny Lonsdale

The issue of Gas prices and supplies has been a hot topic in the news recently. Did you know that there have been changes in the way Gas data are collected in the UK in 2005? Changes to legislation have meant the trade with the EU in Natural Gas, as well as Electricity, has to be recorded by its physical flow (volume) rather than by following a financial trail.

In line with this HM Revenue & Customs will now collect information relating to trade in Natural Gas and Electricity direct from the pipeline and grid operators. Market prices are being used in conjunction with the

information from the pipeline and grid operators, to ensure the accuracy of the total estimated value of Gas and Electricity traded every month.

This has led to revisions in the UK Overseas Trade Statistics (OTS) that have already been collected and published, specifically with France, Ireland and Belgium.

The OTS publication, including data based on the new methodology, is available via the website [www.uktradeinfo.com](http://www.uktradeinfo.com), along with a whole host of other trade data information.

## NEWS FROM ONS

### NETWORK RAIL CONFIRMATION AS PRIVATE SECTOR AROUSES TORY QUERIES

The saga of how Network Rail finances are treated in the National Accounts continues. *The Times* has drawn attention to an ONS announcement that, following the introduction of the Railways Act 2005, which transferred the Strategic Rail Authority's liabilities to the Department for Transport, this made no difference as control of Network Rail's policy and appointment of directors remained with its private sector members, and therefore it has upheld its controversial classification of it as a private sector organisation. In a further piece, *The Times* reported that the Conservative Shadow Transport Secretary, Christopher Grayling was raising questions in parliament about this ruling, calling it a "bizarre and illogical decision".

## NEWS FROM RSS

### CATHIE MARSH MEMORIAL LECTURE

Four speakers – Mike Hughes (ONS), Suzanne Hall (MORI), Simon Briscoe (*The Financial Times*) and David Rhind (Statistics Commission) addressed the Royal Statistical Society on 15 November 2006 on 'Public Confidence in Official Statistics'. The speakers reported on the recent work undertaken by ONS and the Statistics Commission on this subject.

### OFFICIAL STATISTICS SECTION

On 21 November Karen Dunnell, the National Statistician, contributed a further instalment of her vision by outlining 'Challenges for National Statistics'.

The December issue of the RSS publication *Significance*, aimed at non-specialist readers, includes an interview with her, which describes her career and outlines the challenges of her new role.

## FUTURE SBE MEETINGS

**CIPFA\*, 3 Robert Street, London WC2 (6 pm)**

*Wednesday, 18 January 2006\**

**GETTING THE SUPPLY RIGHT – UK LABOUR MARKET POLICY**  
JONATHAN PORTES, Department of Work and Pensions

*Thursday, 2 February 2006*

**ANNUAL DINNER, INSTITUTE OF DIRECTORS**  
PETER SUTHERLAND, Chairman, BP and Goldman Sachs International

*Wednesday, 22 March 2006\**

**US MONETARY POLICY AFTER CHAIRMAN GREENSPAN**  
JOHN BERRY, Bloomberg News

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