

Society of Business Economists (SBE) Response to the ONS consultation on Economic Statistics and Analysis Strategy (May 2016)

The SBE

The SBE exists to support all those who use economics in a business environment - whether in industry, commerce, finance, consultancy or public service. It aims to advance the use of economic analysis as a tool to support business decision-making and to enhance the standing of the professional economist working outside academia. It provides a forum for its members to discuss and debate economic issues and helps them keep in touch with practical and theoretical developments within the discipline. The membership of the SBE numbers around 600, and is drawn from a broad spectrum of business life, spanning the City, commerce and industry, public and private sectors, large businesses and small.

This response has been prepared by a small group within the SBE who are particularly interested in these issues – we believe it reflects the views of the members more widely but the ONS should be cautious about attributing too much weight to it. Individual members of the SBE may also have submitted their own views as the SBE website drew attention to the consultation and encouraged response. We are aware that this response has been sent after the deadline. A six week period is not long in which to attempt to canvass views among a wide membership, and in addition the UK's referendum on the EU has made this a very busy period. We hope this will not mean our views are ruled out.

This response does not aim to comment on every aspect of the ONS consultation. After a few general remarks, there are brief comments, where relevant, on the ten themes. If no comment has been made, this implies general agreement with the proposals . The bulk of the document suggests a programme of activity which would really take the ONS forward *if* it can be successfully delivered.

General comments

The SBE is very supportive of the greater openness and collaboration which the ONS is now seeking to foster. In particular we welcome the regular Economic Forums which several of our members attend, and the ONS commitment to greater openness. We consider the additional recruitment of economists, and the greater shift to collaborative working as very positive. This should help to move away from what could sometimes be perceived as a 'bunker mentality' especially since the move to Newport.

The strategy as set out is very wide-ranging and looks very demanding. Implicitly, there is a suggestion that ONS resources will be able to deliver across this agenda - but past experience suggests that plans can often slip or need to be scaled back. It would have been useful to indicate areas which might need to slip for resource reasons, so that respondents could comment on whether these were the right ones to give less priority to.

It is welcome that the strategy aims to tackle existing issues (such as the lack of historical statistics) as well as setting high ambitions. However, not all the present issues of concern are mentioned. For

example, the user community remains concerned about the level of revisions (not just for the overall GDP figures, but also for sectors such as construction). The Bean review suggested that while some of this concern was not justified, there were too many errors resulting from a lack of sense-checking. This issue is not really covered. Similarly, the concerns raised by many over the way in which the ONS responded to known weaknesses in the construction price data are not really addressed. These are of course over-arching issues of organisation and policy – but still very relevant to the issue of trust in economic statistics.

Members have commented on issues around the presentation of data (not just the well-worn question of the website, but also the layout of press releases (for example, large print meaning that many pages can need to be printed out if a hard copy is needed – in general users continue to consider the website is not a helpful place to find latest data as it could be). A clearer separation between new information and general background on the data would be more helpful for regular users. One idea might be to have a group encouraged to give regular feedback on the website, in a spirit of constructive criticism.

A final general point is about communication. The broader public is often not well-informed, and we would encourage the ONS to work harder with all the press and other channels to improve public understanding. The Visual ONS website is excellent, and tells a simple graphic story with a ‘read more’ button. It could be developed more and used may be with schools? And does the ONS know how widely its (good) Twitter is read outside the already well-informed?

1) Measurement of GDP

There is much to welcome here, including the move to annual volume-based SUT, double deflation and the revived Purchases Survey, work on historical statistics and improved construction deflators. However, it is perhaps a little surprising that the construction deflators are only medium priority, given the criticism of these deflators over recent periods. In addition, it is not clear if ONS is concerned by the fact that the Bank of England assumes for its monetary policy purposes that early estimates of GDP are biased downward.

One SBE member also raised concern about the visible trade data – where the Bean review commented that there had been a fall-off in response from survey recipients.

2) Measurement of service sector activities

In light of the focus on the financial sector in and after the financial crisis, it would be welcome to see some greater priority on the reconsideration of whether FISIM is the only suitable approach.

It is also good to see public sector productivity appearing as a priority.

3) Information below whole economy level

The section sets out a very wide-ranging workplan – of which the flow of funds seems a key priority. While recognising the appetite for sub national data, the present uncertainties and variable geographies used for different policies suggests ONS should be careful to set up data such that information could be available by country, region, LEP, local authority, housing market area, etc., as required.

The distribution of outcomes for households could also be given high priority – this is surely becoming of greater concern.

4) Measurement of the Labour Market

The SBE strongly supports the ONS in its efforts to gain access to more administrative data, particularly tax records.

5) Measurement of prices

The proposed development of the Household Inflation Index will give a useful additional lens on inflation for different groups.

The CPIH remains a topic of contention. A number of SBE members consider the rental equivalence approach to be appropriate – but there are a number who do not – and considerable efforts will be needed if CPIH is to command the public support which the ONS hopes to achieve. The other concern in the prices area is about ensuring ONS has unfettered access to Land Registry data post privatisation.

There can be long delays in providing revisions to foreign trade data, and this does not seem to be addressed.

6) Measuring the modern economy – the digital revolution

There is a lack of clarity in the consultation document about exactly what the ONS hopes to achieve in this area, and by when. One SBE member wondered if there was sufficient attention to measuring the ‘gig’ economy, as encouraged by the Bean review. Could the LFS be used to ask questions about, for example, how far participation in the ‘gig’ economy is voluntary, and how far due to an inability to find full-time regular work?

7) Beyond GDP – broader measures of welfare and activity

Home production and voluntary work generally are areas where more information would be informative.

8) Enhanced analytical capability to interrogate and understand large underlying dataset sources

9) Understanding the productivity puzzle

It is very welcome to see the priority this issue has been given. However, it is noticeable that there is a clear timetable for steps on this topic which is lacking elsewhere.

10) Exploiting administrative data and a wide range of other data

*Society of Business Economists
July 2016*