

Statistics Commission

STATISTICS COMMISSION'S
VIEWS ON TOPICS TO BE
COVERED IN THE OFFICE FOR
NATIONAL STATISTICS REVIEW
OF REGIONAL ACCOUNTS

Statistics Commission Report No 4
September 2001

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Statistics Commission's Views on Topics to be Covered in the Office for National Statistics' Review of Regional Accounts

**A report prepared for the Statistics Commission
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The following are the areas that the Commission believes should be incorporated into the review. There are five topics suggested viz.

Issue 1: Communication of the reliability/precision of Regional GDP estimates

Background: Like many other composite indicators Regional GDP figures are affected by sampling errors in the survey based components, other measurement errors affecting components and errors arising from the inevitable need to use simplifying assumptions in constructing the estimates. It is not necessarily easy to assess the overall effect of these on the reliability (including the precision) of individual estimates; ease of calculation will depend upon the methodology adopted to construct the Regional GDP figures. Regional GDP data are normally published without any confidence intervals or other information on reliability being quoted. The issue of accuracy is addressed briefly in an ONS paper on the methodology of the Regional GDP estimates but the only specific guidance is that the 'estimates cannot be considered accurate to the last digit shown'. However many of the main uses of GDP data rely heavily of the comparison of figures either between regions or over time. If it is not clear whether small changes or differences are true ones or may be caused by sampling and other errors such analyses cannot be made with confidence.

Recommendation: That as part of this review ONS should:

- 1) *Consider what information is already available/could be easily produced on the reliability of regional GDP figures and how it should be routinely communicated to users.*
- 2) *Assess the extent to which this information meets users' needs and if necessary undertake a programme of work to ensure that any inadequacies are remedied.*

We recognise that some sources of error will not lend themselves to a formal analysis and giving of explicit confidence intervals. What is important it that an explicit professional assessment should be made and communicated in such a form that users can judge whether data are fit for the purpose for which they are used.

Issue 2: Contribution of views of non-ONS users on methodology/assumptions being used by ONS.

Background: The calculation of Regional GDP is a complicated exercise involving as it does many datasets, and a number of methodological assumptions. ONS have feedback on their methodology through contact with other relevant government colleagues, and through forums such as the relatively recently established Regional Accounts Advisory Group (RAAG) which embraces government and non-government members. Nevertheless, the review gives a good opportunity for a wide audience to comment upon the methodology/assumptions advocated. Such comments could range from high-level comments on the overall methodology in use through to observations on the utilisation of particular datasets.

Recommendation: That as part of their review ONS should:

- 1) *Instigate a mechanism (possibly the ONS website) whereby details of the calculations are laid out, and opportunity is given for interested parties to comment upon them.*

- 2) *Publish a summary of responses listing any suggestions adopted, and commenting upon the remaining suggestions.*

To make this topic viable, there will need to be good publicity given to the request for comments.

Issue 3: Production of quarterly estimates of Regional GDP

Background: Regional GDP estimates are published approximately one year after the year to which they relate. The timetable is tied in to the release of the National Accounts Blue Book, and for 2000, with changes in methodology delaying the Blue Book by several months, the GDP estimates will also be delayed. Earlier indications of the movement in GDP could potentially be valuable to the various users of Regional GDP; the Scottish Executive does produce such figures, and its producers believe this to be a high profile statistic used by politicians, government, journalists, planners/consultants, academics.

Recommendation: That as part of their review ONS should:

- 1) *Establish whether the provision of Regional GDP estimates on a quarterly basis would be of appreciable benefit to users of Regional GDP data.*
- 2) *Were the above to be the case, then establish if it is practical to produce quarterly estimates with acceptable accuracy and to a useful timetable, bearing in mind existing techniques for temporal and spatial disaggregation.*

Obviously, the consistency of the figures with the Scottish figures would have to be a consideration.

Issue 4: Improve understanding of Regional GDP through commentary on base data.

Background: Users of Regional GDP data are interested in changes whether it is one year compared to the next, or changes in the per capita relativities, for example. What could be useful would be if the underlying data could be utilised to show if differences year on year could be readily explained by differences in the underlying components. Some underlying data e.g. type of industry is published but its interpretation across regions is not simple.

Recommendation: That as part of their review ONS should:

- 1) *Establish if a commentary would be useful to users.*
- 2) *If there is a real interest in a commentary, establish how this can best be achieved.*

It may be that ONS will have some knowledge as to why large changes have taken e.g. large plant closures, foot-and-mouth, but this is presumably not always the case as there may be some inexplicable quirks in the data.

Issue 5: Adjusting Regional GDP data for differential GDP deflators.

Background: GDP figures are regularly used to compare growth between regions. In reality, the different regions are unlikely to share the value for the national GDP deflator. The question is are there differences between regions of sufficient magnitude that they should be taken into account when comparing regions.

Recommendation: That as part of their review ONS should:

- 1) *ONS should establish if there is prima facie evidence of appreciable differences in inflation rates between regions.*
- 2) *Were the answer to 1) to be positive then ONS should see if they can put procedures in place to measure the appropriate deflators on a continuing basis.*

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