

STATISTICS OF SALES BY INDUSTRY PRODUCT GROUP - SHOULD THE FREQUENCY OF SOME SURVEYS BE REDUCED FROM QUARTERLY TO ANNUAL?

Introduction

PRODCOM (PRODucts of the European COMMunity) is a European Union (EU) wide survey of production mainly for the manufacturing industries. Manufacturing and mineral extraction are sub-divided into a list of around 5,000 products. Businesses selected for PRODCOM supply value sales data (as a proxy for production) for the products they manufacture. Most industries (206 out of 253) are collected annually, but 47 are collected quarterly (mainly chemicals, textiles and pumps & compressors). The sample size is around 25,000 respondents for the annual inquiry and 5,000 for each quarterly industry. The results are published free of charge on the National Statistics' website.

The data are required under EU Council Regulation 3924/91. Recently, however, the Statistical Office of the European Communities (Eurostat) and Member States have agreed to change the PRODCOM legislation in a way that removes the requirement to collect quarterly data. This change will take effect in respect of 2005 and beyond. It is therefore now open to the UK to decide whether or not to continue collecting information at this frequency. Before deciding, we would like to have your views.

The use of PRODCOM information

Annual PRODCOM data are widely used, both within and outside Government. The Office for National Statistics (ONS) uses them to underpin Producer Price Indices, in the compilation of Input-Output tables, and for other purposes. They also help the government to monitor trade flows and, matched with data on overseas trade, total UK supply. Eurostat uses the information to provide Community-wide aggregates of sales by manufacturing product. Trade associations and a number of private businesses value the information to keep track of changes happening in industry and of market share.

The need for quarterly information is less strong. There is insufficient use within government to justify the costs of collection, both to the public purse and in terms of the compliance costs it places on businesses in the industries affected. Quarterly data are used by businesses to monitor product markets and a prime purpose of this consultation is to ask for details of this (for cases where the quarterly information is used and where the annual information would not, in your view, be a sufficient replacement).

Costs and savings

Our best estimates are that the conversion of the quarterly industries to annual reporting would bring direct savings to ONS of around £230,000 per annum and reduce the compliance costs to business by around £350,000.

Quality

Respondents to the quarterly inquiries provide product data more frequently than respondents to annual inquiries and are therefore more used to it. Also, it is possible to query the figures they have provided more topically than the annual figures are queried. As a result, the quarterly inquiry results tend to be revised less often than the results from the annual inquiries. Around one-quarter of the figures from one quarterly inquiry are materially revised in the quarter following. Approximately one-third of the annual inquiry results are materially revised the following year. A move to annual inquiries in place of quarterly may therefore bring a slightly higher level of revisions to the figures.

Timeliness

The latest year for which results are available for all industries is 2002. The median time when the fourth quarter 2002 figures were available for the 47 industries covered by the quarterly inquiries was 20 weeks into 2003. For the industries with annual inquiries, the median period for the publication of 2002 data was 41 weeks. A move to annual inquiries rather than quarterly is therefore likely to result in slower results for the industries directly affected. However, one of the reasons for the length of time the annual results take is that the processing of results from the quarterly inquiries are undertaken by the same teams and take precedence: without quarterly inquiries, ONS would anticipate being able appreciably to speed up publication of annual data.

Clearly, if quarterly surveys cease, figures will not be available in year. Figures for quarters 1,2 and 3 of the year are, axiomatically, provided much earlier than the annual data for the year as a whole. As well as any value those quarterly figures may have in their own right, in principle at least they might provide some indication of annual trends that might not otherwise be available. The ONS suspects that in practice this is limited, given the variability of the detailed product figures, but would be pleased to have your views.

The balance of statistical work

In March this year Christopher Allsopp delivered his final report on the informational requirements for monetary and wider economic policymaking to the Chancellor of the Exchequer, the Governor of the Bank of England and the National Statistician.

Table 5.1 in the report showed that manufacturing accounts for around 18 per cent of GDP, but services around 71 per cent. However, output measures are considerably more developed for manufacturing than for services. The summary to his report stated, in part: "the starting point for our review is a statistical system that ... is skewed towards manufacturing rather than services, despite recent improvements ...". He recommended that: "The coverage of the service sector in surveys of activity and prices should continue to be increased ...".

A reduction in frequency of the quarterly part of the PRODCOM inquiry would help to accommodate the requirement to produce new statistics. It would also be helpful in enabling ONS to make available resources for modernisation of its statistical systems more generally.

Timing

Responses to this document are requested by **14 January 2005**. They should be sent to:

Stephen Curtis
Room 1.227
Office for National Statistics
Cardiff Road
Newport
NP10 8XG

Telephone: 01633 812029

E-mail: stephen.curtis@ons.gov.uk

Please address any aspect of this proposal that you wish. However, it would be particularly helpful to have comments on:

1. How substantial is your use of quarterly PRODCOM data?
2. If you do make appreciable use of the quarterly data, would annual data, in the same detail and for the same industries, be a reasonable substitute?
3. Do you agree that a change from quarterly to annual collection of data will save respondents' time and effort?

The ONS will consider all responses received and come to a decision on whether or not to continue with quarterly collection. Should it decide that it should no longer do so, the questionnaires for the fourth quarter of 2004 (which will by then have been sent out and are necessary to provide figures for 2004 as a whole as well as the quarterly estimates) will be the last to be collected.

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