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## **Economy**

**Three Year Work Plan 2002/03-2004/05**

## 1. Summary

### An Introduction to the Economy Theme

The focus for the Economy Theme in the period covered by this plan will be on improving the quality, efficiency, flexibility and accessibility of macro-economic statistics and the underlying infrastructure systems. The development of new products will continue to reflect the need to measure the service and new economy sectors. It will continue to examine ways of meeting the increasing demand for high quality and more timely regional and sub-regional economic statistics. Any further changes will be evolutionary rather than revolutionary. This approach has been supported in the consultation exercise to develop this chapter, where users emphasised the need to focus on the delivery of already established priorities and recognised that system redevelopment was long overdue.

Although the development of new products will be evolutionary, there is a continuing need to respond to events within the UK and globally. Following the events of the 11th September, there is greater focus on the insurance and airline industries. At the time of writing, the UK economy appears to be entering a turning point and economic statistics will come under greater scrutiny. We will continue to respond to meet demands for such statistics.

The Economy Theme covers statistics about the national economic accounts, government expenditure and revenues, prices and measures of inflation, short term economic indicators and regional macro-economic statistics. The statistics are produced by a variety of government departments and the devolved administrations: ONS; HMC&E; DTI; IR; HMT; Welsh Assembly Government; SE; DETI (Northern Ireland). The work programme has close links with the Commerce Energy and Industry, Social and Welfare, and Labour Market themes.

The primary dissemination channel for Economy Theme statistics is the NS website (<http://www.statistics.gov.uk/themes/economy>). The site holds all the press releases for the key outputs (*First Releases*), datasets (*StatBase*), articles on a wide range of economic topics, a list of key paper publications and a full list of activities within scope of the Economy Theme.

The data underpinning macro-economic statistics are collected in a number of different ways and from a variety of sources including business and

household surveys, specialised monthly price collections, trade statistics, administrative data and banking statistics. Further information on all sources is contained under the '*data sources*' heading within the Economy Theme of the website and also within the Commerce, Energy and Industry Theme.

Economic statistics have a wide range of users. The statistics are used by HMT as an input to the setting of economic policy and to monitor the performance of the economy. The Bank of England and the Monetary Policy Committee use the outputs to set and monitor monetary policy. The outputs are also used by Parliament as an input to their assessments of the performance of government and the UK economy. Use of economic statistics within Government departments for policy analysis is extensive, particularly for DTI, IR and the devolved administrations. The Statistical Office of the European Community, Eurostat, has a special role in defining the scope of economic statistics across Europe.

Regional economic statistics are used by central government and the devolved administrations to inform policy and resource allocation, by regional development agencies in the development of their economic strategies, by government offices in the regions and local authorities for planning purposes and by a wide range of consultants, academics and others with an interest in regional and local issues. Journalists and city analysts use the information to transmit assessments of economic policy and the state of the economy to the public, city institutions and businesses more generally. Businesses may also use the data directly to assess the state of the economy and their position in it. Academics may be interested in modelling the economy itself or in studying the methods used to assess it.

NS values input from users in determining priorities for macro-economic statistics; a list of user groups is available on the website. In developing this chapter, formal consultation events were held with the National Accounts User Group and Business Statistics User Group. Regular liaison meetings are held with the Bank of England and key government users in HMT and DTI. These are underpinned by concordats or Service Level Agreements (SLAs) and influence the future direction and priorities for economic statistics. The use of internet consultation through the NS website is being expanded.

### Brief Overview of the Theme Work Programme

The key developments within this plan are described below:

- the statistical processing systems and associated business processes for the National Accounts will be redeveloped by ONS;
- further investigations will take place to improve the understanding of the devolved and regional economies;
- the SE have a three-year programme to develop Neighbourhood Statistics for Scotland;
- HMC&E will investigate the possibility of producing sub-regional overseas trade statistics;
- the feasibility of producing an IoS for Northern Ireland will be investigated;
- development of GDP for Scotland will continue;
- strategies for measuring e-commerce and productivity will be developed by ONS;
- constant price supply-use tables and annual chainlinking of quarterly and annual constant price GDP and its components will be implemented by ONS;
- satellite Accounts will be published by ONS to provide a better picture of the non-monetary aspects of welfare;
- HMC&E will develop a trade information service to provide a single access point for much of the information needed by businesses to make decisions on trading goods;
- Electronic collection of trade data by HMC&E will be enhanced with the introduction of a new interactive input and editing system.

## 2. Strategic Influences and Policy Drivers

There are a number of drivers and external influences, that will affect statistical development for topics in the economy theme over the period covered by this plan. These are outlined below under four general headings:

- Statistical Challenges;
- Government Policies;
- International Demands; and
- External Influences on a Sub-National/ National/Global Scale.

### Statistical Challenges

The NS website is the primary dissemination tool for economic statistics. This has made the statistics accessible to a wider audience with differing needs and knowledge levels, and stimulated demand for further analyses, articles and briefings. Customer expectations for improvements in timeliness and accessibility to data are increasing.

There is a need to improve statistical processing systems and associated business processes so as to deliver national and regional accounts, which more quickly incorporate changes in the structure of the economy, changes to underlying methodology and requests from users.

There is also a continuing demand to improve the underlying methodology of economic statistics, develop quality measures such as sampling errors and quality assure our products through a programme of quality reviews.

### Government Policies

The Government's goal to achieve long-term economic stability will continue to place high priority on the key measures of the economy such as the rate of inflation, GDP growth and productivity. In the recent launch of plans to promote enterprise and more effective competition, the Chancellor concluded that 'our energies must be directed to productivity'. Research at the Bank of England has also linked UK inflation forecasts to productivity. The high ranking of this measure confirms the strong interest in productivity data and the importance of the development work in this area. There are strong links here to the Commerce, Energy and Industry, and Labour Market themes.

Devolution in Scotland, Wales and Northern Ireland has resulted in greater demand for high quality and more timely regional and sub-regional economic statistics. This high level of demand will increase further with the Government commitment to devolution to

English regions and greater policy interest in regional and local issues. There is also a continuing and increasing legislative demand for these statistics by the European Commission.

Improving public services is a key Government commitment. The Modernising Government Reform emphasises the need for policy development to be more joined-up and evidence-based. This enhances the need for statistics to reflect specific issues and policy areas cutting across organisational boundaries. The Modernising Government Reform also includes the commitment that all services will be available electronically by 2005, with a target for take-up by users of 50%. The introduction and development of performance targets will lead to increased demand for economic statistics to assess the performance of the public sector.

#### International Demands

EU legislation governs the collection and production of many economic statistics. Ensuring UK requirements and expertise are represented in international discussions is a key requirement.

Specifically, EU legislation requires compilation of constant price supply-use tables and annual chainlinking of quarterly and annual constant price GDP and its components by 2003, as part of the move to harmonising methodology with that of our EU partners. These are also recommendations of the Standard for European National Accounts (European System of Accounts 1995 (ESA95)).

The planned enlargement of the EU is likely to lead to changes in the basis of structural funding and a consequent demand for economic and social statistics to measure various types of deprivation and need. In addition, the introduction of the Euro is driving the harmonisation of the economies of member states and it is Government policy that the UK should be ready to join quickly if a referendum produces a Yes vote. Eurostat are considering alternative ways of producing economic accounts for the whole EU economy.

#### External Influences on a Sub-National/ National/Global Scale

The nature of the economy is changing with the continued expansion of the services and ICT (information, computer & telecommunications) sectors. There continues to be significant user demand for increased coverage and detail of

service sector statistics and to measure the effect of e-commerce and other 'new economy' transactions on the UK economy.

The global economy is becoming increasingly integrated with the growth of multi-national companies. This is having a significant impact on various aspects of the national accounts including balance of payments, balance sheets, corporate activity and profit.

### 3. Planned developments

The challenges of the policy drivers and external influences described above will be addressed by the following developments. Unless otherwise stated, all developments relate to UK statistics and definite plans are in place to take forward the work.

- improving the Infrastructure;
- regional demands;
- economic accounts;
- prices;
- overseas trade;
- public finances;
- quality developments & review programme.

#### Improving the Infrastructure (Priority A)

The statistical infrastructure will be developed to ensure the effective production, analysis and dissemination of statistics. This will be based on agreed statistical methods, supported by high quality, tested systems that facilitate the various stages of statistical work. The statistical processing systems and associated business processes for National Accounts will be redeveloped as part of the ONS SIDP.

#### Regional Demands

##### Regional Statistics (Priority A)

The key objective is to improve understanding of the devolved and regional economies and lay firm foundations for informed policy and strategic thinking. The following potential developments will be investigated: regional stratification; sample design and coverage of all UK surveys; potential boosting of sample sizes; improving the range and

detail of economic indicators; introduction of region specific questions to ONS surveys. This investigation will take account of the compliance burden on businesses and other data suppliers, and of resources available to government.

ONS produced a Scoping Study report for the NAW in October 2000 which set out options for improving the availability, quality and timeliness of Welsh data. NAW have since proceeded with some of the recommendations made in that report. They have commissioned ONS to boost the sample for the annual LFS (fourfold increase) and the ABI (doubled the sample) for Wales and have commissioned a feasibility study into the production of an Index of Distribution for Wales. They are also liaising with ONS to progress the other recommendations in the report with an overall aim, in the longer term, of producing a quarterly GDP series for Wales.

#### ***Neighbourhood Statistics (Priority A)***

The ONS has launched the NeSS, primarily to meet the needs of the National Strategy for Neighbourhood Renewal for England. However, the NeSS has UK-wide coverage wherever possible. Parallel developments in the devolved administrations are at different stages of development to meet specific needs. In the SE, a three year programme of development for Neighbourhood Statistics is underway, which is due for completion by March 2004.

#### ***Sub-Regional Overseas Trade (Priority A)***

HMC&E will investigate the possibility of producing sub-regional overseas trade statistics by September 2002.

#### ***Quality Review of Regional Accounts (Priority A)***

The NS Quality Review of Macro-Economic Regional Statistics is expected to be completed in August 2002. The main aims of this review are to:

- identify the main uses of the Regional Accounts and establish user requirements;
- assess how well the Regional Accounts are meeting the above quality requirements;
- identify areas that need improvement and assess which should take highest priority; and
- make recommendations for future work on the Regional Accounts, and if appropriate, options for how better to meet user requirements.

## **Economic Accounts**

### ***Services (Priority A)***

An experimental UK IoS has been published since December 2000. Future development will focus on reviewing the data sources and methods and speeding up the production of the index. As stated earlier a feasibility study into constructing an Index of Distribution for Wales is almost complete. A feasibility study into constructing an IoS for Wales is dependent on the results of this. This, along with other measures, would make a quarterly GDP series for Wales a possibility in the future.

### ***Index of Services for Northern Ireland (Priority A)***

The Department of Enterprise Trade and Industry will continue to undertake work examining the feasibility of developing a regional IoS. This will be piloted during the year 2002/03. Full costs are not yet known as sample coverage and questionnaire design are still being examined.

### ***New Economy (Priority A)***

The various strands of business e-commerce work will be brought together to create a coherent overall picture of business use of e-commerce and other information management systems. This will be evaluated and a new strategy for measurement of e-commerce will be developed (cf Commerce, Energy and Industry Theme).

### ***Productivity (Priority A)***

A major development programme has been undertaken to extend and enhance data on productivity measurements. There has been ongoing work on service sector productivity, public sector productivity and capital services. A strategy for productivity statistics is currently being developed. This is likely to feature work on skills and productivity, utilisation of the ABI for productivity data, and better integration of labour market statistics and the National Accounts (cf Commerce, Energy and Industry Theme).

### ***Improvements to Constant Price GDP (Priority A)***

Improvements to constant price GDP are required by Eurostat legislation but will have benefits for all users. These will yield better measures of real growth that will be more consistent across the EU. ESA95 requires compilation of constant price supply-use tables and annual chain linking of quarterly and annual constant price GDP and its components by 2003. Constant price supply-use tables will be developed as an analytical and balancing tool and

eventually current and constant price balancing will be integrated.

#### ***Scottish GDP, GNI and Non-Manufactured Exports (Priority A)***

Development of Scottish Gross Domestic Product (including Index of Production) is continuing. The feasibility of publishing indices for Knowledge Based Industries, Tourism and quarterly detailed series will be assessed in 2002. Work on preparing for the introduction of chainlinking will continue throughout 2002. Exploratory investigation of sub-national GDP indices will commence in 2002.

Work on producing a Scottish Gross National Income is also continuing. A report will be made to the Scottish Economy Statistical Consultant Group in June 2002, which will present a set of proposals. A decision will be taken at that time on the most appropriate next step.

An investigation into the feasibility of producing quarterly Scottish estimates of non-manufactured exports will be carried out in 2002.

#### ***Satellite Accounts (Priority B)***

Satellite accounts to the National Accounts will be developed to provide a better picture of the non-monetary aspects of welfare. Household satellite accounts will be set up which accurately reflect the contribution of unpaid work to economic well-being. A health satellite account will be developed which systematically links health expenditure, outputs and outcomes across all of the organisations involved. The environmental accounts will be developed to provide the basis for detailed measures of resource productivity and use and will be extended to incorporate new data on solid waste and water resources. A working group has been set up to establish a remit and workplan for the development of Scottish Environmental Accounts. There are strong links under this heading to the Social and Welfare, Health and Care, and National and Built Environment Themes.

#### ***Monthly GDP (Priority B)***

Production of a monthly IoS also raises the possibility of producing monthly GDP. This will be a challenging prospect but would meet another long standing need for improved and more timely short term measures of economic growth. Definite plans are not yet in place.

#### ***Tax Based Leading Indicator of Profits (Priority C)***

In IR the quarterly instalment payments of corporation tax introduced in 1999 will be analysed to establish whether they are valuable as a leading indicator of company profits and can be used to improve the quality of early profit estimates in the national accounts. To run over 3 years, 2000/01 to 2003/04 incurring negligible cost.

#### ***Monthly and Geographical Balance of Payments (Priority C)***

Development of monthly and geographical balance of payments analyses will continue.

#### **Prices**

##### ***Corporate Services Price Index (Priority A)***

The Corporate Services Price Index (CSPI) measures the prices charged for the provision of services by businesses to other business and government customers. This is a challenging statistical area under intense development with an expanding number of CSPIs published as experimental statistics. It is an area where the UK leads Europe.

##### ***Purchasing Power Parities (PPPs) (Priority A)***

PPPs are important in making international comparisons of GDP (including regional GDP) and upon which allocation of EU regional aid is determined. A European regulation on PPPs has been approved unanimously by the PPP Working Party and will go to the European SPC in March 2002. It is planned to become law in early 2003. Like many countries, the UK restricts consumer price surveys for PPPs to the capital area. These are adjusted by national conversion factors calculated from periodic national price surveys. The latest of these was conducted at the end of 2000 and the results, with aggregated regional results, will be published in Economic Trends early in 2002.

##### ***Retail Prices Index (Priority A)***

A technical investigation of the Retail Prices Index continues. Its purpose is to ensure that the methodology used continues to be the best available for the purposes to which the index is put. The focus in the immediate future will be on quality adjustment techniques and sample representivity and how these might be improved against current practice. The results of this work, which will be done in collaboration with other NSIs, will also benefit the Harmonised Index of Consumer Prices. The latter is constructed on

behalf of Eurostat according to agreed conventions that enable like for like comparisons across the European Union (cf Commerce, Energy and Industry Theme).

## Overseas Trade

### *Trade Information Service (Priority A)*

HMC&E plan the development of a trade information service by 2004. This service will build on the department's statistics of trade in goods, adding value by providing links with other statistical and non-statistical information – the aim is to provide a single access point for much of the information needed by businesses to make decisions on trading goods. Priorities for development in 2002/3 include the provision of information to help customers through specific Customs procedures such as Intrastat and improving our interaction with customers through use of the latest technology (cf Commerce, Energy and Industry Theme).

### *Trade Interactive Data Entry System (Priority A)*

Electronic collection of trade data will be enhanced with the introduction of a new interactive input and editing system late in 2002/03. This is designed primarily to improve the quality of trade data. Later phases may offer the facility to provide traders with data on their own trade in comparison with totals – the aim is to improve response by building a partnership approach with suppliers. The aim is to meet the Modernising Government target of 50% take-up by 2005. This development has strong links with the Commerce, Energy & Industry Theme.

## Public Finances

### *Whole of Government Accounts (Priority A)*

The Whole of Government Accounts (WGA) project will build on Resource Accounting and Budgeting (RAB) to give comprehensive coverage of central government (and eventually of the whole public sector) using resource accounting information and conventions. Output in the form of full central government accounts are not expected until 2004, but dry run accounts will be produced earlier. As a data source, WGA will provide new kinds of information not available from RAB, for example, accruals measures of tax receipts.

### **Quality Developments & Review Programme**

The first National Statistics Quality Review of the Short Term Output Indicators (STOI) was

completed in 2000 and is available on the website ([http://www.statistics.gov.uk/methods\\_quality/quality\\_review/economy.asp#stoir](http://www.statistics.gov.uk/methods_quality/quality_review/economy.asp#stoir)). The review confirmed that the indicators are of good quality and fit for purpose. It identified the key strengths of National Statistics short-term output indicators and made recommendations for improving quality and the way in which the indicators are compiled. An action plan is available on the website.

The 2001/02 reviews of Government Accounts & Indicators and Regional Accounts will be completed and published (see above).

The programme of Quality Reviews in the previous work plan was too optimistic and has been reviewed in light of experience gained with the STOI review and other reviews. A review of Balance of Payments including Trade Data will be conducted in 2002/03, followed by separate reviews of Producer Prices Index/CSPI and National Accounts Deflators in 2003/04.

## 4. Key Changes from last year's Plan

The feasibility study into a definitive House Price Index was completed in March 2001 and concluded that an improved House Price Index should be based upon an expanded and improved DTLR system for mortgage transactions and, subject to improvements, the Land Registry system for cash transactions. Lack of funds in 2001 has prevented full implementation of the study's recommendations.

The planned relaunch of the Final Expenditure Price Index (FEPI) in 2002 has been deferred until improved monthly government deflators become available and have been fully tested.

Components of the FEPI consumer price index, which are used to deflate Household Final Consumption Expenditure will continue to be produced.

The Quality Review Programme has been revised in light of experience gained from the STOI review and other reviews (see above).

## 5. International considerations

The UK will comply with EU legislation and actively co-operate and collaborate with other member states to develop strategies and regulations for European economic statistics, which are mutually agreed by all member states.

The UK, like other member states, has agreed to a country-specific action plan to improve the timeliness (and quality) of key indicators in National Accounts, government accounts, labour market, balance of payments and other short-term indicators. The programme has been endorsed by the EU Council (ECOFIN).

The European Commission has requested improved timeliness of external trade statistics data required by Eurostat and the European Central Bank. HMC&E and ONS have worked together to develop a production timetable to meet that request. This will be implemented in January 2002, feeding through to the March and subsequent First Releases. Our target is to meet delivery of trade statistics to the EU timetable (approximately 40 days after the end of the reference month).

HMC&E have developed a blueprint for the future development of Customs policy with respect to non-EU international trade. This is designed to build on recent developments in the customs arena and respond to the increasing availability of new technologies. The implementation of this blueprint will require changes to the current methods of collection of trade statistics, since the collection of trade statistics is an integral part of the customs administrative procedures. We will make representation to Eurostat and other member states, seeking a change in the legislation governing trade statistics. In doing so, we intend not only to meet the needs of the Customs procedures, but also of the statistical requirements of the new economy such as globalisation. The target is to seek changes in the legislation to enable implementation by 2007.

## 6. Costs

For a full explanation of National Statistics costs, see Appendix B.

For a full explanation of National Statistics costs, see the Costs Annex.

Theme specific expenditure is as follows:

### 'Projected' Resource Costs:

2002/03	£32.4m
2003/04	£32.9m

These annual estimates of 'projected' expenditure include the following expenditure on significant developments (i.e. over £50k):

Electronic Service Delivery and Survey on The Economics of the UK Fishing Industry	2002/03	£115k
	2003/04	£95k
Enhancement of economic statistics in Wales	2002/03	£120k
	2003/04	£120k
Development of Index of Services	2002/03	£1.2m
	2003/04	£1.2m
Development of e-commerce statistics	2002/03	£310k
	2003/04	£310k
Satellite Accounts	2002/03	£530k
	2003/04	£530k
Productivity measurements	2002/03	£210k
	2003/04	£210k
Improvements to constant price GDP	2002/03	£230k
	2003/04	£220k
Development of monthly and geographical BoP	2002/03	£300k
	2003/04	£300k
Corporate Services Price Index (Accounted for in 'Economic')	2002/03	£730k
	2003/04	£750k
Retail Prices Index	2002/03	£570k
	2003/04	£660k

Please note, these figures represent **significant** developments only and will not match the total expenditure on statistical developments for the theme shown in Table 1 in Appendix B.

## 7. Contacts and further information

### Websites

Further information on statistics covered by this Theme can be found at the following websites:

**National Statistics**  
[www.statistics.gov.uk](http://www.statistics.gov.uk)

**Department of Trade and Industry**  
[www.dti.gov.uk/statistics](http://www.dti.gov.uk/statistics)

**HM Customs and Excise**  
[www.hmce.gov.uk/bus/intrasta/index.htm](http://www.hmce.gov.uk/bus/intrasta/index.htm)

David Canham (Secretary)  
*Office for National Statistics*

**Inland Revenue**  
[www.inlandrevenue.gov.uk/stats/stats.htm](http://www.inlandrevenue.gov.uk/stats/stats.htm)

**Theme address**

If you have any comments on this Theme plan, or suggestions for future programmes, please email us at:  
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**HM Treasury**  
[www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

**Department of Enterprise, Trade and Investment, Northern Ireland**  
[www.detini.gov.uk](http://www.detini.gov.uk)

**Scottish Executive**  
[www.scotland.gov.uk](http://www.scotland.gov.uk)

**National Assembly for Wales**  
[www.wales.gov.uk/keypubstatisticsforwales/index.htm](http://www.wales.gov.uk/keypubstatisticsforwales/index.htm)

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