
Chair of the UK Statistics Authority, Sir Andrew Dilnot CBE

Bernard Jenkin MP
Chair, Public Administration Select Committee
House of Commons
LONDON
SW1A 0AA

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Dear Bernard

STATISTICS ON REGIONAL GROSS VALUE ADDED

Thank you for your letter dated 15 January regarding the ONS release of experimental regional growth figures, published on 18 December 2013¹, and how they compare to figures released by the Scottish Government.

The UK is required by the European Union to deliver statistics on Regional Gross Value Added based on the Production Approach (GVA-P) by 2017. It is hoped that the GVA-P method will, once developed, allow the UK to produce regional constant price estimates for the first time (in other words, after removing the effects of inflation) giving users the opportunity to see the real terms growth in the economy for each region or nation within the UK on a comparable basis. ONS has been working with the devolved administrations and government departments for several years to develop an appropriate methodology.

As for any new statistical output, it is appropriate that statistical producers publish early versions of outputs undergoing evaluation, as a routine part of the development process, in order to involve users and stakeholders in the development of the statistics. I therefore support ONS's decision to publish an experimental statistics version of GVA-P.

Nevertheless, it is crucial that such experimental statistics are clearly labelled, so that users are aware of the context in which they have been produced and their status in relation to other official statistics. This is particularly true where the materiality of the topic is likely to draw public attention to the new figures, and/or there are existing official statistics which relate to the same thing. In this case I think ONS should have done more to ensure that the experimental statistics were more clearly labelled and explained, to maintain their distinctness from the National Statistics produced by the Scottish Government². ONS itself has recognised that the December release caused confusion in the days immediately following publication, and it has acknowledged that a narrative alongside the release would have been helpful in explaining the reasons for differences. I have asked ONS to

¹<http://www.ons.gov.uk/ons/rel/regional-accounts/regional-gross-value-added--production-approach-/december-2013/index.html>

² <http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/Q/pno/0> - provides a link to the quarterly GDP national statistics real-terms estimates and the quarterly experimental current price estimates.

take steps in future to improve the presentation of the status of these figures to avoid any further confusion, and to review its presentation of 'experimental statistics' more generally.

You also enquire about the reasons for the differences and plans for future publications. ONS plans to publish the next release of experimental GVA-P in December 2014. The Statistics Authority's Monitoring and Assessment team has reviewed the experimental methods used by ONS and has identified two areas of significant concern for further attention:

- i. For current price estimates, there are some anomalies in the regional trends analysis, including at a detailed industry level, especially noticeable when comparing GVA-P in current prices with the GVA-I³ estimates, and when comparing the figures for Scotland with the Scottish Government's own estimates (which are also close to the GVA-I figures). Further scrutiny and peer review of the current price estimates is clearly required, and we will expect to see evidence of this from ONS.
- ii. The second issue relates to the deflation process. Output price deflators have been applied to each detailed industry and region, but the aggregation of these is not consistent with the overall expenditure-based UK deflator as published in the UK National Accounts. ONS published a technical note on this issue on 31 January 2014⁴. This provides new figures at an aggregate regional GVA level. We will expect ONS to keep this under review as the statistics are developed.

Until the development of the ONS GVA-P statistics is complete, users should refer to the existing National Statistics produced by the Scottish Government as the definitive source of estimates of real-terms GVA for Scotland at a national and broad industry level.

I have also asked ONS to review the navigability of the GVA-P estimates. My view remains that statistical producers should take a greater role in providing reciprocal links between statistics which relate to the same topic.

I am copying this to Glen Watson, Director General of the ONS, and Jil Matheson, the National Statistician.

Yours sincerely



Sir Andrew Dilnot CBE

³ GVA-I is the Regional Gross Value Added measure based on the Income Approach, published by ONS as National Statistics <http://www.ons.gov.uk/ons/rel/regional-accounts/regional-gross-value-added--income-approach-/december-2013/index.html>

⁴<http://www.ons.gov.uk/ons/rel/regional-accounts/regional-gross-value-added--production-approach-/deflation-methodology-for-regional-gva-p-/index.html>