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**Mark Pont, Assessment Programme Lead**

Jonathan Athow  
Deputy National Statistician and Director General, Economic Statistics  
Office for National Statistics  
(by email)

25 January 2021

Dear Jonathan

**Experimental statistics on Regional Household Final Consumption Expenditure**

Thank you for your team's help in our recent review of ONS' [Development of regional household expenditure measures](#). These Regional Household Final Consumption Expenditure (HFCE) statistics are a further milestone in ONS's progress in addressing the long-term needs for more regional data on household expenditure. These statistics now present a more comprehensive understanding of household finances in UK countries and regions than previously existed.

We agree with the view of regional accounts statisticians, as expressed in the latest July 2020 article, that further development of the data will fully exploit the considerable potential of these statistics. Our review found several areas where users have already gained value from the statistics:

- They present a more comprehensive picture of people's actual living standards, as opposed to considering income and savings in isolation.
- Users and stakeholders in devolved countries, regions and sub-regions acknowledge and endorse the potential of HFCE estimates as a highly important component in fully understanding regional economies. This was brought out in [evidence](#) to the Treasury Select Committee's inquiry into Regional Imbalances.
- Official statistics producers in both Scotland and Northern Ireland value their collaboration with ONS in developing and improving these statistics and use them to compare and enhance their own estimates of HFCE.
- The data accompanying the statistics are presented in accessible and easily navigable tables.
- The use of national and domestic concepts helps gain insights into net trade flow in which there is considerable interest among users. These are useful as a first step in an area notoriously difficult to measure, although further work would be required to improve the quality of the estimates.

We appreciate that these statistics are still in the early stages of development. We also recognise that, owing to the impact of the coronavirus pandemic, the regional development

programme has been delayed and therefore further intended progress is unlikely to happen for some time. When the regional statistics development programme restarts, our findings suggest the following points will be important in enhancing the public value of these statistics:

- Completing the [flexible geographies project](#), by ensuring estimates of HFCE data at local level (NUTS 3) geographies are available. Granting access to raw data and small geography data is essential in the early adoption of these statistics at a regional and sub-regional level.
- ONS unlocking the potential of its access to [new data sources](#) such as credit card payment data and VAT data to help improve the current statistics and produce new metrics.
- Improving the Living Costs and Food Survey (LCF) which will be vital to mitigating the concerns around the quality of regional spending estimates. Such improvements include those covered by the [2016 Quality Review](#).
- Providing analysis which combines separate income, spending and wealth at the UK countries and regions level, to provide users with a greater insight into economic wellbeing.
- Make clear to users that imputed transactions, which do not necessarily reflect the economic experience of UK households, are included in the estimates of regional household savings ratios and explain why these have been included.
- Be clear that while most regions have positive savings ratios, a significant proportion of households across nations and regions spend more than their current income. When describing the regional household savings ratios, it might be helpful for ONS to provide a link to its [Household Income, Spending and Wealth statistics](#) which explain these distributional aspects well.

The Economy team in OSR very much looks forward to continuing to engage with you and the team as these statistics are further developed. We also plan to spend some time reviewing the LCF this year to evaluate its role in understanding low-income households and poverty. Please do not hesitate to get in touch if you would like to discuss any aspects of this letter further.

I am copying this letter to Darren Morgan, Director of Economic Statistics Development and Trevor Fenton, Head of Regional Accounts.

Yours sincerely



Mark Pont

Assessment Programme Lead