
Ed Humpherson, Director General for Regulation

Mike Keoghan
Deputy National Statistician and Director General for the Economic, Social and
Environmental Statistics Group
Office for National Statistics
(by email)

18 January 2024

Dear Mike

Assessment of statistics on Profitability of UK Companies and Gross Operating Surplus of non-financial corporations

We have completed our quality-focused assessment of your statistics on Profitability of UK companies and Gross Operating Surplus of UK private non-financial corporations (GOS). This is the second assessment we have carried out in our [Spotlight on Quality: Assuring Confidence in Economic Statistics programme](#), which aims to provide enhanced assurance of the UK's economic statistics.

GOS statistics are used by the Bank of England's Financial Policy Committee to monitor cyclical systemic security risk, as defined in the [Capital Buffers and Macro-prudential Measures Regulation \(2014\)](#). These statistics also feature in the Bank's [financial stability reports](#). The Office for Budget Responsibility uses Profitability of UK companies statistics to produce its [profit forecasts](#), and they are used by the Chancellor of the Exchequer to set fiscal policy. Other government departments such as HM Treasury also use these statistics for monitoring economic performance.

Our assessment found many strengths in the statistics. For example, ONS is one of only a few National Statistical Institutes that produces Profitability and GOS statistics directly. Many countries derive these statistics as a residual balancing item of the GDP income approach.

We have identified five requirements to improve the quality of Profitability of UK companies and GOS statistics ([see Annex](#)). Most important among these is that ONS needs to better understand whether the data sources used to compile the estimates are of sufficient quality. Additionally, ONS needs to better communicate to users its understanding of the methods and data sources used, along with any limitations and uncertainties in the statistics.

ONS has agreed to publish a development plan by January 2024, that includes its priorities for improving these statistics. To reassure to users about its understanding of the sources and methods used to produce the statistics, ONS should make significant progress on requirements 1, 2 and 3 by June 2024 and complete the remaining requirements (4 and 5)

by December 2024. Implementing these actions will ensure that the statistics continue to meet the highest standards of the Code of Practice for Statistics.

It is good that ONS has started to make progress towards fulfilling these requirements by engaging with HM Revenue and Customs, the main data supplier in compiling GOS estimates, to discuss how estimates of Gross Trading Profits are compiled and the treatment of public corporations. ONS has also published revised [Quality and Methodology Information](#) and the GOS growth rates including and excluding [balancing adjustments](#).

We recognise that many of the messages from our report may also apply to other economic statistics within the National Accounts. We therefore encourage you to consider how the findings and recommendations in this report apply to other economic statistics so that the benefits from our assessment and engagement with the Private Non-Financial Corporations team can be maximised. To promote trustworthiness and provide reassurances to other economic statistics users about quality, we consider that it could be helpful if you published information about which of the relevant actions you would look to apply to improve other economic statistics.

We thank you and your team for engaging with us during our assessment. And please do not hesitate to get in touch if you would like to discuss any aspects of this letter and accompanying report.

I am copying this letter to Liz McKeown, Director of Economic Statistics Production & Analysis; Rebecca Richmond, Deputy Director Financial Sector Accounts and Corporations Division; Pete Lee, Assistant Deputy Director, Financial Sector Accounts and Corporations Division; and Frank Donnarumma, Head of Private Non-financial Corporation Statistics.

Yours sincerely



Ed Humpherson
Director General for Regulation

Annex: List of requirements to improve statistics on Profitability of UK Companies and Gross Operating Surplus of non-financial corporations

Requirement 1: To improve the quality of the statistics, ONS should ensure that it has a good understanding of the quality of the data used to produce the statistics and focus on establishing good relationships with data suppliers. ONS should use our [Quality Assurance of Administrative Data \(QAAD\)](#) guidance to help with its understanding of the data sources and methods used to produce the statistics. To reassure users on the quality of the statistics, ONS should communicate to users its findings on the quality of the data sources and publish these.

Requirement 2: As part of improving the quality assurance of the statistics, ONS should ensure that production processes facilitate sufficient interaction and information sharing on source data quality. ONS should review its production processes and identify how it can accommodate changes such as incorporating new data sources and processes or changes in users' needs.

Requirement 3: To enable all users to make well-informed decisions on the use of Profitability and GOS statistics, ONS should better document quality information and communicate to users: the methods and data sources used; any limitations and uncertainties in the statistics; and quantification and explanation of revisions.

Requirement 4: To reassure users on the quality of the statistics, ONS should demonstrate to users that staff have a strong understanding of data sources, methods, production processes and how the statistics align with users' needs. In doing so, ONS should review its knowledge transfer process and support business continuity during staff changes, so ONS is reassured staff can respond confidently to users' queries.

Requirement 5: ONS should engage with users of these statistics and seek regular feedback to better understand their requirements and the extent to which the current statistics meet their needs. ONS should use the findings from this ongoing engagement to develop these statistics so that they meet as many key users' needs as possible. Where users' needs cannot be met ONS should be transparent about the reasons for the decisions made and any constraints.