Monitoring Review

The Use of Official Statistics by the Financial Services Industry

Introduction

1. The UK Statistics Authority is clear that by having an in-depth understanding of the needs of users, producers of official statistics are better placed to develop these statistics in the future and to increase their long term public value. This report explores the current uses, and future needs, of official statistics by the financial services industry. Annex A investigates the current uses the industry makes of official statistics, how these meet their needs and how producers engage with them. The Annex also summarises feedback from users on quality, availability and accessibility of the official statistics they use and need. This report is the second in a series of reviews looking at the relevance of official statistics to decision making in key sectors and industries[1]. The Statistics Authority is grateful to all organisations and representative organisations that provided evidence in the research phase of the review. Annex B lists the organisations that contributed.

2. For the purposes of this review, we define the financial services industry to include financial corporations in the four sectors: banking (including central banking and credit granting); insurance; capital markets; and asset management (particularly pensions). Annex C gives some further detail. The industry uses official statistics to inform decisions that affect many aspects of day-to-day life in the UK at both a national and a local level. Annex D illustrates the broad range of official statistics used by the financial services industry and identifies the bodies that produce them[2].

3. Whilst the UK Statistics Authority concludes that many of the industry's current needs are being met, it is not clear that producers of official statistics have sufficient understanding of the nature of the global financial sector, and how the sector's need for statistics and data, are changing. It is important that producers of official statistics systematically – and at both strategic and working levels - reflect on how the financial services industry is rapidly evolving and keep abreast of the challenges that the industry, the wider UK economy and society face.

Summary

Current Uses of Official Statistics by the UK Financial Services Industry

4. All sectors of the financial services industry use official statistics in a wide range of applications. We illustrate some of these later in the report, for instance in: developing monetary policy and measuring financial stability; monitoring the health of the economy; helping commercial companies understand their market position and helping them make

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[1] The first report in this series was published in May 2012 – *Monitoring Brief 5/12: Official Statistics and the Voluntary Sector*
[2] References in the report to producer bodies are to the producers of official statistics

decisions about their investments; risk management; and in influencing and working with government to inform policy options. The Statistics Authority would like producers to provide more documentation about these important uses. (Paragraphs A.1 to A.12)

5. The financial services sector uses a broad range of official statistics from key macro-economic indicators (such as GDP, national accounts, balance of payments, price indices and labour market statistics) to statistics on housing, demography, taxation and businesses. Annex D illustrates the broad range of statistics used by the industry and identifies the bodies that produce them. Industry representatives told us that they were 'data hungry' and often realised benefits of pooling official data and statistics with their own data or data from other sources. (Paragraph A.9 and Annex D)

Meeting Users' Needs and User Engagement

6. We found that official statistics do meet a wide range of current needs by the industry, and the industry expects official statistics to provide definitive and trusted key macro-economic indicators such as GDP and labour market estimates. Some users would like more unit-level data to be made available to allow more micro-economic analysis to be carried out. (Paragraphs A.13 and A.14)

7. We heard from users about their need for official statistics to be up to date and relevant, reflecting the current nature of the global economy and society. Users from the industry also told us that they need more detailed statistics about the financial services industry itself, especially for a more detailed industrial breakdown of the sector. (Paragraphs A.15 and A.16)

8. Users were keen to convey to us their respect for the analysts producing official statistics, both in terms of their expertise and their accessibility and approachability. Many users from the industry have built up effective, ad hoc networks with producers; but we were told that there is further scope for a more structured and strategic engagement arrangement between producers, individual users and representative bodies of specific sectors. The Statistics Authority would encourage occasional open events and workshops that bring users from the financial services industry and producers together to discuss how statistics may be developed to better meet these users' needs. (Paragraphs A.17 to A.21)

Users' Comments on Quality and Availability of Official Statistics

9. Users of official statistics in the financial services industry have identified some key areas where they would like to see the availability of statistics developed. These include:

- improved flow of funds accounts – important in understanding economic behaviours of the household, corporate and government sectors, in both a national and international context;
- more detailed analysis and breakdowns of industrial sectors – the industry is particularly interested in more detailed analysis of the services and retail sectors;
- more analysis of the impact of globalisation and company ownership – industry users have considerable interest in stock markets, stock ownership, and how globalisation has a bearing on these markets;
- price indices – industry users are aware of the range of different price indices and would welcome better guidance on their relevant strengths and weaknesses, especially for deflation purposes. (Paragraphs A.22 to A.31)

Users' Comments on Accessibility of Official Statistics

10. Some users told us that they pay scant attention to general narrative commentary about recent changes to the statistics – they often rely on their own expertise or on industry and media commentators. Users of official statistics within the industry are often expert in relation to the interpretation of relevant official statistics and may not greatly value, on a day-to-day basis, commentary from government statisticians. (Paragraph A.32)

11. Users conveyed to us the view that statisticians should focus their efforts in areas where they have special expertise such as in presenting information about one-off factors, breaks in series, changes to methods and any assumptions or adjustments made. These relatively expert users told us that they gain significant value from methodological articles and one-off pieces of analysis that government statisticians publish. At the same time, we gained the impression that users are often unaware of the full range of valuable information in statistical releases. They told us that they sometimes found 'gems' by accident and that statistics used less frequently could be difficult to locate. (Paragraphs A.32 and A.33)

12. There was some support from industry users for the Authority's strategic objective to argue against pre-release access of market sensitive statistics, and for taking any steps that could remove the potential for leaks that might affect the markets. (Paragraph A.35)

13. Those users accessing statistics directly from official statistics websites, particularly ONS's website, expressed concerns about the difficulties in doing so. They also expressed disappointment that producer bodies had not more actively consulted the industry about the redevelopment of ONS's website and GOV.UK. Users appreciated the facility of GOV.UK in bringing together information from across government into one place. (Paragraph A.37)

Recommendations

Recommendation 1: Producers should engage with users in the financial services industry to find out more about what official statistics they use, and for what purpose.

Recommendation 2: Producers should explore the current and future needs for particular official statistics by the industry.

Recommendation 3: Producers should explore users' needs in relation to quality, ensuring the statistics remain accurate and relevant, and reflecting the rapidly changing nature of the global economy.

Suggestion 1: Producers and users should consider occasional open events and workshops to discuss how statistics may be developed to better meet these users' needs.

ANNEX A:

Feedback from the Financial Services Industry on the strengths and limitations of official statistics

Current uses made of official statistics

A.1 The financial services industry has many expert users of official statistics making relatively sophisticated use of data. The boxes presented throughout this annex capture some illustrative examples and, whilst not exhaustive, we can broadly brigade the use of official statistics into five themes:

Theme 1   Monetary policy and financial stability

A.2 Officials in the Bank of England use official statistics such as the national accounts, balance of payments, price inflation, and labour market statistics to inform advice they give to the Bank's Monetary Policy and Financial Policy Committees[3] (MPC and FPC).

A.3 The FPC has the remit to identify, monitor and address risks to the resilience of the UK financial system as a whole. To further this remit, officials within the Bank and ONS have agreed on the need to improve the sectoral disaggregation of flow of funds data in order to target the weakest areas of the financial sector. ONS has acknowledged that challenges exist in responding to these needs due to the limitations of its financial surveys. Other users also expressed to us similar benefits in better coverage of financial activity, such as detailed breakdowns of sub-sectors (such as non-bank institutions) and improvements to methods.

Theme 2   Health of the economy

A.4 By far the most widely used official statistics by the industry are the key macro-economic indicators such as Gross Domestic Product (GDP) growth, inflation and unemployment statistics. Most sectors of the industry maintain a regular watch on at least some of these indicators and users told us that they expect these macro-economic indicators to be official statistics. The major focus for the work of the industry's macro-economists is similar to that of the MPC, monitoring the overall health of the economy. Some economists we spoke to interpret the main signals in macro-economic statistics and then offer advice to their clients or colleagues about what the most likely policy responses from the relevant authorities might be. They comment on the likelihood, for instance, of amendments to interest rates, decisions to slow down or speed up quantitative easing and other changes in economic and fiscal policy such as tax changes.

Box 1 Illustration- Capital Markets

Users: Macro-economists	**Official Statistics Used**: Key macro-economic and labour market statistics
Type of decisions informed: private sector commercial choices	

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[3] http://www.bankofengland.co.uk/Pages/home.aspx

> **How the statistics are used**: Economists work alongside the traders of equities, foreign exchange and gilts on the trading floor. Every time there is a 9.30am release from ONS, there is the potential to move the markets. As the producer bodies release the statistics at 9.30am, the economists examine the headline figures on the Bloomberg screens on the trading floor and provide an immediate steer for the traders about what the figures are telling them. After this immediate briefing, the economists will look at the Bulletins in more detail on the ONS website often looking at specific series within the release that experience shows are good indicators. The economists also draw upon official statistics for a more strategic 'in the round' examination of issues which might influence the markets, for example, migration in Europe. These studies often bridge the gap between more academic pieces (which may lack the most up-to-date data) and the current economic realities – for example do budget deficit forecasts fully appreciate the impact of the latest trends in migration? Economists write such commentary to inform clients, for example the chief investment officer and individual portfolio managers.

A.5   Industry economists and analysts also seek to understand emerging trends in financial markets and make judgements about how these will develop, including early identification of any stresses on, or structural shifts in, the economy. Examples of the latter include the recent growth in the proportion of online retail sales compared with traditional retail methods. The latest macro-economic statistics are continuously feeding into the industry's models, forecasting changes in the economy and in markets, and so informing medium and long-term investments.

A.6   GDP movements remain <u>the</u> primary indicator of economic health. Understanding the critical drivers of economic growth, and how these might change in the future are among the main interests of economists. Expenditure metrics provide important information about consumer spending, and in turn consumer confidence. Each release of the key macro-economic statistics has the potential to move the markets. Headline unemployment statistics also provide an important barometer of the health of the economy. It is the underlying dynamics of the labour market that are of particular interest to banks and traders – for example, which industries are creating jobs and to what extent are companies substituting labour for capital?

Theme 3   Understanding market position and informing investments

A.7   We found that it was common for companies to draw together data from their own extensive databases with statistics from representative bodies, official statistics and other pertinent evidence, for instance academic research and economic analyses.

Box 2 Illustration –- Housing Markets- using multiple statistical sources

Users: Mortgage Lenders and their representative bodies	**Official Statistics used**: Housing Statistics, and labour market and earnings statistics
Types of decisions informed: Contents of market commentary; terms of mortgage	

loans, nature and timing of the launch of new products.

How the statistics are used: Lenders and their representative associations, monitoring the affordability of housing and how well earnings are keeping pace with house prices, use detailed official employment and earnings statistics from the Labour Force Survey (LFS) and the Annual Survey of Hours and Earnings (ASHE), house price indices, together with their own data on first time buyers, market statistics from the Council of Mortgage Lenders as well as information about interest rates. The extent to which there is either consistency or conflict between data sources helps influence the market commentary that lenders and their representative associations publish, which in turn influences the terms upon which it offers mortgages and the target audience for new products.

A.8   Statistics also inform decisions about specific investments, for instance when a company is building an asset base to support a pension fund. The sources of relevant statistics, whether they are official or other statistics, will depend on the focus of the investment. For example, industry representatives told us that whilst official statistics are more likely to inform investments in social housing, market data from organisations like the London Stock Exchange[4] or Bloomberg[5] are more likely to be helpful in informing investments in corporate bonds. Another example is the UK Cards Association where just under 90 per cent of its members send the Association information about card expenditure broken down by category of expenditure and sector of the economy in which it was spent. This is used to benchmark card-based sales as a share of all purchases in the retail sales market on a seasonally adjusted basis and published by the Association in its monthly Credit Expenditure Statistics[6]. This publication presents plastic card spending as a proportion of total retail sales using ONS Retail Sales figures as the denominator.

Theme 4   Risk management

A.9   Companies in the pensions, life and general insurance sectors seek to sell policies at competitive prices whilst ensuring that they invest prudently to meet their future liabilities. We have already given examples of the way that official statistics help to decide the make-up of investment portfolios. With regard to estimating future liabilities, actuaries in these sectors draw upon a wide range of data sources and characterise themselves as 'data hungry'. Industry representatives told us that one of the richest sources of data available to a large company in this sector is from its own databases containing the information accumulated over time from individual policies. The better able a company is to interrogate its own data sources the greater the company's competitive edge. However, for some time the industry has realised the benefits of pooling data, through its representative bodies, and of supplementing industry data with official statistics. Examples are:

- for pensions and life insurance, actuaries estimate how health patterns and mortality rates will change and use official population, health and mortality statistics in preparing these estimates;

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[4] http://www.londonstockexchange.com/home/homepage.htm
[5] http://www.bloomberg.com/
[6] http://www.theukcardsassociation.org.uk/2013-facts-figures/index.asp

- for general insurance, information about current specific risks associated with different policies is of prime interest. For example, in setting house insurance policies, official statistics relating to flood risk and the impact of housing on flood plains are of value, with more local geographical data being preferred; and

- actuaries use official statistics to fill any gaps in their own data, but also to help their interpretation of their own data. They use a range of official socio-economic indicators for this purpose.

A.10 It is not only the pensions and insurance sectors which use official statistics to help manage their risk. The UK Payments Council uses official statistics to help identify trends for various consumer groups to establish those who may pose higher risk. The Council provides an annual summary of payments markets for the sector[7], based on models and value of trade relating to different payments methods. This is used to provide views on credit to consumers.

Box 3 Illustration - Pension Funds

Users: Pension funds and regulators	**Official Statistics used**: Key macro-economic and pensions statistics

Type of decision the statistics inform: Deciding the level of the levy on pension funds to enable self-funding of the Pensions Protection Fund (PPF). The Pensions Regulator (TPR) decides whether to intervene concerning a fund's activities having used the statistics to help assess the aggregate risk of schemes folding. The National Association of Pension Funds (NAPF) uses pensions and key macro-economic statistics to decide whether to lobby government.

How the statistics are used: To estimate how many companies will go bust without sufficient net assets to pay their pension liabilities, the PPF calculates the probability of a single scheme going bust as well as the extent to which schemes are underfunded. It uses a certain amount of specialist market information including credit ratings from ratings agencies as well as forecasts of insolvencies likely, given the economic circumstances, and also work flows that their operations teams may experience. The PPF uses consumer price inflation statistics to assess how to hedge their inflation risk. Both the PPF and the TPR are interested in the investment patterns of pension funds – for instance looking for trends in the types of investments such as property, equities, corporate bonds, and examining the relative risk of such investments against alternatives including the impact on the aggregated valuation of funds. The NAPF has used the statistics as part of the evidence basis for consultation responses. For instance, it recently used Department for Communities and Local Government (DCLG) figures about Local Government Pension Scheme figures to analyse the investment strategies for the different pension funds. This has potential implications for the current regulations governing the investments of Local Government pension funds. The NAPF wishes LGPS investment regulations to be reformed. Additionally, the NAPF has identified the potential efficiencies from

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[7] http://www.paymentscouncil.org.uk/resources_and_publications/publications/reports/

> schemes working together and the form that such collaboration might take. It has urged the government to facilitate an open debate on the case for schemes working together to drive efficiency.

Theme 5   Influencing and working with government to inform policy options

A.11   Companies in the financial services industry, and their representative bodies, often seek to influence governments – locally, nationally and internationally on matters of policy that directly affect their industry. Official statistics are helpful in two respects:

- statistics about the industry are used to demonstrate its importance to the UK and global economy, giving weight to the industry's, or particular sector's, voice; and

- official statistics are used to support the specific case being made.

A.12   Whilst the use of official statistics may complement the use of other sources, official statistics often form only a small part of the evidence base. The perceived benefit of using official statistics, as described to us, is that they are independent and trusted by policy makers. One example of collaborative working with government is the ABI's 'Improving the Safety of Young Drivers'[8], a report that sets out some proposals to reduce the risk posed by young drivers and is underpinned by ABI's own statistics together with official statistics from Department for Transport.

Box 4 Illustration – Share Dealing and Campaigning for Regulatory Reform

Users: Investment managers and stockbrokers	**Official Statistics used:** Business and trade statistics
Type of decision the statistics inform: private sector commercial choices and supporting campaigns for policy or regulatory change.	
How the statistics are used: To inform share investment decisions, when to invest, which companies and industries to invest in, the performance of existing holdings; evidence of how engaged the public are in holding share opportunities and how they hold their savings. Additionally in respect to influencing key bodies - to understand what proportion of shares are held by different groups - this demonstrates a level of influence in the economy and gives weight to the case made by the industry when seeking to have changes made. For example, there was a campaign for change following the Companies Act 2006 to allow nominee shareholders and achieving a greater focus on nominee administration structure.	

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[8] https://www.abi.org.uk/Search-results?q=improving+the+safety+of+young+drivers

The Capital Gains Tax (CGT) statistics have been used to illustrate that smaller investors accounted for only a small part of total receipts of CGT and thus if the government raised the threshold at which CGT is payable, there would be minimal impact on overall tax revenues. Investment managers and brokers use the share ownership statistics to estimate the percentage of UK shares that UK private investors own. Campaigning bodies have used the statistics to promote the view that any new shares coming to the market should also be made available to private individual investors as well as the institutional investors as the former represent a big part of the market.

Box 5 Illustration – Credit Cards and Campaigning for, or commenting on, Policy or Regulatory Reform

Users: UK Cards Association and UK Payments Council	**Official Statistics used:** Economy – GDP and National Accounts, Prices, Sales and Consumer Expenditure and others; Population and demography, Labour Market; and Taxes, charges and thresholds

Type of decision the statistics inform: private sector commercial choices and the strength of the sector's case for policy or regulatory changes.

How the statistics are used: To develop appropriate policy for the sector and to lobby regulators. An early example of this is the use of official statistics in building a case to secure the agreement of members and regulators for the adoption of chip and pin payments.

Another example was a paper prepared for the UK Cards Association on the credit card industry's contribution to the UK economy[9] used in a response to government proposals to review the regulation of credit and store cards. Official statistics used to emphasise the importance of the sector include ONS statistics on the growth in the financial services labour market, household consumption statistics, households savings ratio, investment by financial services companies, NOMIS data (used to show the employment concentration in certain UK towns and cities), claimant count statistics, tourism statistics, price indices and tax statistics from HMRC.

Meeting Users' Needs and User Engagement

A.13 The industry does not expect official statistics to meet its every data need, and users seemed broadly content with the overall portfolio of statistics produced. Users told us that there are obvious examples where official statistics are the 'go to' source – for example, GDP and unemployment; and that official statistics are the natural domain for key macro-economic indicators. However, the industry uses a wide range of statistics from various sources to meet its needs. The key strengths of official statistics conveyed to us by the industry were those of trust, robustness, transparency, and comparability. Some users suggested to us that the focus for producer bodies should be to understand what they are best placed to deliver, and to do that well.

A.14 Some users supported improving access to unit-level data through making sub-sets of administrative and survey data available. Controls around users' access arrangements designed to protect the privacy of individuals and enterprises are accepted. We recognize that such controls may limit the scope to progress in this direction.

[9] http://www.theukcardsassociation.org.uk/responses_to_government/index.asp

A.15 Users told us that it is also very important that official statisticians 'keep their finger on the pulse' to maintain the relevance of the statistics to a changing global economy and society. For example, users told us they consider that:

- trade statistics would benefit from more in-depth analyses and commentary around the UKs relationships with emerging economies and the distribution of exports to those markets;
- moving forward, there is a need for a clear distinction between pre- and post- auto-enrolment data in pension statistics;
- the presentation of statistics such as retail sales might better reflect the growth in online spending. Companies in the credit cards sector have identified that the value of online spending, which they view as the single largest growth area, is a significant gap in the current analysis of retail sales. ONS provides top level on-line spend figures, but the industry wants to see this split by origin of payment e.g. mobile phone, desktop, tablet;
- more consideration should be given to what indicators could be drawn out from the statistics to provide insight into changing dynamics in, and stresses on, the economy; and
- global and domestic financial and environmental risks will increasingly influence data requirements – such as an ageing population, financial stability, floods and windstorms.

A.16 Users also said that official statistics relating to the financial services industry, and its position in the economy, need to keep pace with the industry's changing structure, and they expressed concerns that economic statistics do not provide an appropriately detailed sector breakdown of the industry.

A.17 Users were keen to convey to us their respect for the statisticians and economists producing official statistics. Additionally they welcomed the ease of access to the statisticians responsible for producing the statistics. Users told us that when they did contact the statisticians, in ONS and across the Government Statistical Service, the response was usually timely, professional, expert and helpful. The Financial and Economic Statistics Users Group has commented that it sees itself as being the natural sounding board for ONS to consult on methodology, coverage of data or data quality and revisions regarding economic and financial statistics. It praised ONS' engagement with it over the introduction of Financial Intermediation Services Indirectly Measured[10] and in respect to developing the ONS methodology for its calculation.

A.18 Users often commended recent ONS innovations to us, mentioning for example, infographics, the ability to download charts, interactive content and video summaries, which they see as adding value to the communication of official statistics. They also viewed in a positive light the visibility of individuals such as the ONS Chief Economist in the media discussing the statistics.

A.19 Users would like producer bodies to be proactive in communicating forthcoming changes affecting official statistics and to alert them to any relevant consultations – for example, around inflation measures and developments to ONS' website. We found that users build

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[10] http://www.ons.gov.uk/ons/rel/elmr/economic-and-labour-market-review/no--6--june-2010/the-recording-of-financial-intermediation-services-within-sector-accounts.pdf

their own networks of contacts within producer bodies to support their specific day-to-day business enquiries. A user from the banking industry has identified to the Authority in the past that staff changes at ONS have occasionally affected speedy engagement.

A.20 There was broad support for producer bodies to strengthen their strategic relationships with the industry's representative bodies. Engagement with significant industry bodies like the BBA and ABI seemed to be reasonably well established. However, we found that producer bodies did not always consider which sectors of the financial services industry might use their statistics, or seek to identify and engage with all the bodies that represent them.

A.21 There was appreciation for the growing potential of forums like StatsUserNet[11] for consulting users, but there was also some confusion about which user groups and networks are still active. The Statistics Authority would encourage occasional open events and workshops that bring users from the financial services industry and producers together to discuss how statistics may be developed to better meet users' needs.

Users' Comments on Quality and Availability of Official Statistics

A.22 Financial services industry representatives that we spoke to said that they have done all they can to understand the quality and fitness for purpose of the statistics. To this end, they greatly value information about methodology and quality, and told us that they would welcome more information about levels of uncertainty around published estimates. Users in the industry also identified specific statistics which they would like to see improved. These include:

Flow of funds accounts

A.23 Users told us that the flow of funds accounts are important in understanding economic behaviours of the household, corporate and government sectors. These flows also need to be understood in an international context, recognising the increasing importance of the globalisation and connectivity of the international financial system. For the household sector, they said that they would prefer the presentation of ONS UK Household Balance Sheet[12] to correspond with the balance sheets for households in the Federal Reserves' Flow of Funds Accounts of the USA[13]. Users told us that they view the US version as being comprehensive and good at identifying imbalances, for example, where the household sector is borrowing more than it earns. Similarly, users told us that by understanding more about the profits of non-financial companies, the dividends distributed and capital spending they can learn more about what the corporate sector might need to borrow from the financial services sector. In the USA there is a concept of the 'private sector financing gap' which users told us they would like to see presented in UK statistics, as it can be an early indicator of stresses in the economy – for example, in terms of asset prices and economic bubbles. Such asset price bubbles or stresses might be indicators of impending policy action (fiscal and monetary) and the financial markets want to anticipate this.

More-detailed sector data

A.24 Users told us that, while acknowledging the recent improvements to sectoral information arising from the presentation of statistics using the latest Standard Industry Classifications,

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[11] http://www.statsusernet.org.uk/Home/
[12] http://www.ons.gov.uk/ons/rel/naa1-rd/united-kingdom-economic-accounts/q4-2012/index.html
[13] http://www.federalreserve.gov/releases/z1/Current/

they would still prefer economic statistics to contain more sectoral information. For instance, they expressed a view that there remains a need for better information about service industry sectors and retail sales at more disaggregated levels, and more consistency between different outputs. For example, the *UK Sector Accounts* and *MQ5: Investment by Insurance Companies* both contain considerable detail, and are based on some common sources, but are presented at different levels – one set of statistics groups together investment trusts, unit trusts and property unit trusts and another presents them separately. Users told us that it would be very helpful to have easy access to the most detailed breakdown in all cases, even if it is not in the headline publication. If statisticians have concerns about reliability of statistics at the more detailed levels, users told us that it might still be preferable to allow them to access the detailed statistics, with appropriate caveats clearly stated. This would be subject to legal and confidentiality constraints.

Share ownership survey

A.25   A wide range of users expressed concerns about the ONS statistics - *Ownership of UK Quoted Shares* statistics. Some users told us about considerable interest in the UK stock market, specifically about who owns different stocks or groups of stocks quoted on that market. Additionally, some users alerted us to particular interest in the impact of globalisation and on governance as the make-up of a company's ownership influences its decisions. Explicit concerns lie around the extent to which ownership is skewed towards large companies and away from small retail investors and a gap in information about the estimated distribution of share ownership across industries. Users expressed disappointment that these are long standing concerns, as documented in the Authority's Assessment Report 206[14]. However, those who raised their concerns with us about these statistics also recognised the complexity of the issues. The concerted efforts made by ONS to address the issues were commended, with an expert user workshop run towards the end of 2012 being specifically mentioned. ONS told us that this engagement with the industry has been invaluable and referred to an article[15] it published on 10 July 2013 detailing improvements to the methods and sources used to produce the statistics.

Inflation measures

A.26   A number of users raised with us their desire for better guidance about the relative strengths and limitations of the range of consumer price inflation measures now available from ONS. One user, for example, told us that numerous pension schemes adopted the inflation measures to uprate pensions many years ago and is not clear to them if recently introduced measures also suit this purpose. Other users of these statistics have echoed the concern raised by the financial services industry that a number of changes have been made to the suite of inflation measures without any fundamental assessment of user needs. The Authority's Assessment Report 257[16] addresses this issue, as does the independent review of the range of price indices announced by the Authority on 16 May 2013[17], and on 15

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[14] http://www.statisticsauthority.gov.uk/assessment/assessment/assessment-reports/assessment-report-206---statistics-on-profitability-and-share-ownership.pdf
[15] http://www.ons.gov.uk/ons/rel/pnfc1/share-ownership---share-register-survey-report/share-ownership-2012---methodology/index.html
[16] http://www.statisticsauthority.gov.uk/assessment/assessment/assessment-reports/assessment-report-257---statistics-on-consumer-price-inflation.pdf
[17] http://www.statisticsauthority.gov.uk/news/statement---reviews-of-price-indices.pdf

October 2013 ONS published *Users and Uses of Consumer Price Inflation Statistics*[18] which provides information about the characteristics of the different measures.

Private rentals and social housing statistics

A.27 Users told us they welcome the publication of official private rental market statistics by the Valuation Office Agency from 2011. During the course of this review, ONS also published an experimental Index of Private Housing Rental Prices[19] for the first time. However, users said they want more official statistics about private rentals (including buy-to-let rentals), and about social housing.

Coherence across economic statistics

A.28 Users told us of the value they place on the UK Sector Accounts as they provide a logical framework and provide statistics which are consistent over time. However, users also raised concerns about the quality of the statistics for insurance, pension funds and households. One user had raised their concerns with ONS about statistics for the household sector being calculated using residuals[20]. The user takes the view that, due to the method of calculation, some figures for the pensions and insurance sectors are overstated which, in turn, results in investments by the household sector being potentially understated. Looking across different sets of statistics such as UK Sector Accounts, MQ5: Investment by Insurance Companies, Pension Funds and Trusts, Ownership of UK Quoted Shares as well as HMRC statistics, users told us that there is a lack of coherence between the unit trusts data.

Comparability of statistics

A.29 Users highlighted a few specific areas where they want improved statistics about Scotland, examples being the level of exporting of financial services from Scotland, the relative balance of trade in these services, the net tax contribution to HMRC from Scottish-based businesses; and statistics on total assets under management in Scotland. Whilst noting that organisations, such as Eurostat, publish some internationally comparable series, users also stressed the importance of having comparable statistics for the four countries of the UK. Where country comparisons are not possible, users want better guidance about points to consider in comparing the different statistics.

A.30 One example of the difficulties which banks have in using official statistics is due to differences in definitions between different countries of the UK, making UK aggregation difficult conceptually. For example, the total compulsory liquidations or total numbers of organisations going into administration are problematic because categories are given different names due to the separate legislation standards. The banks would find it helpful if conventions could be agreed about definitions and aggregation methods.

Timeliness of statistics

A.31 Some users told us that they were disappointed with the timeliness of different statistics – for example, Regional Gross Value Added (GVA) and Pension Trends. Some users also raised concerns about the size of revisions to GDP between the month 1, month 2 and month 3 estimates but at the same time, they told us that they did not want to lose the early month 1 estimates.

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[18] http://www.ons.gov.uk/ons/rel/cpi/users-and-uses-of-consumer-price-inflation-statistics/2013/index.html
[19] http://www.ons.gov.uk/ons/rel/hpi/index-of-private-housing-rental-prices/historical-series/index.html
[20] Residuals are the figures left when other deductions have been made from given totals

Users' comments on Accessibility of Official Statistics

A.32   As expert users of official statistics, we found that industry users are aware, and accept, that statisticians have a responsibility to present statistics in a way that also aids interpretation by the layperson. Some economists would like to see ONS, in particular, 'put its best foot forward' and be bolder in explaining what its statistics mean and how the statistics relate to the economy and society. Other users though did not see this as the role of independent statisticians. They suggested that their own expertise or commentary from industry and media commentators often makes them better placed than officials to provide more detailed context to help interpret the statistics. There was some concern that any interpretation by officials would be potentially naive. A number of users told us that they, and their peers, pay little attention to the narrative and tend to look directly to the data and charts. Users strongly conveyed, however, the importance of statisticians presenting factual information to aid interpretation – for example, information gleaned from respondents to surveys (non-disclosive), any one-off factors, breaks in series, changes to methods, revisions, and any assumptions or adjustments made. Some users also said that in seeking to convey the context for the statistics there is a need for official statisticians to take a broader view of the economy and society as well as related statistics, and not to look solely at the statistics they produce in isolation.

A.33   Users told us that they gain significant value from the methodology articles and one-off analytical articles from official statisticians and welcomed more of these 'gems'. Industry representatives commended ONS' work on the Productivity Puzzle[21] as an example of this type of approach. Some users also said it would be helpful to see a brief abstract about the statistics 'up front' that says what a report covers, to whom it might be of interest and why, and what's new in the article. This serves the dual purpose of drawing them in to reports they might have ignored and helping them avoid wasting time on reports of no relevance to them. We see a case here for a statistical presentation framework making clear the relationship between different sets of statistics, and mapping the industry's information needs onto the sources, methods and results. The development and use of a framework, particularly when the range of statistics used by the industry is so wide and varied, would help different producer bodies to:

- understand better how the statistics they produce are positioned relative to others in respect to these users; and
- provide opportunities for multiple producer bodies to engage with a sector or industry collectively.

A.34   We found that the financial services industry uses a range of ways to access official statistics. News agencies such as Bloomberg, Reuters and the BBC often pick up headline indicators on release at 9.30am, and we were told many firms in the industry pay organisations such as Moody's[22] to 'package and deliver' statistics to them in real time. Membership organisations, such as ABI, also package data for their members. Users told us that even where this type of service involves a fee, it makes for an efficient and cost effective solution. They described the benefits as: including not having to navigate official statistics

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[21] http://www.ons.gov.uk/ons/rel/elmr/the-productivity-conundrum/interpreting-the-recent-behaviour-of-the-economy/index.html
[22] https://www.moodys.com/

A.35 Some users told us that occasional rumours circulate about leaks of key market sensitive indicators such as GDP and Consumer Price Index (CPI) before 9.30am which can 'spook' the markets. One user told us that these rumours only gain credence because people believe that leaks can and do happen, and suspects that they result from pre-release access arrangements. There was some support for the Authority's strategic objective to argue against pre-release access and for taking any steps that could remove the potential for leaks that might affect the markets. Sir Andrew Dilnot, Chair of the UK Statistics Authority, wrote to Bernard Jenkin, Chair of the Public Administration Select Committee, on 10 March 2014, regarding pre release access to official statistics, following media reporting in advance of a recent GDP release. In this letter, he states clearly the view of the Board of the Statistics Authority that the current arrangements for pre release access are unsatisfactory[23].

A.36 Accessibility is among the principal concerns raised by many of the users we spoke to. Issues around continuing difficulties with ONS's website and the lack of an overall framework for official statistics on the web closely mirror those described in the Public Administration Select Committee's report *Communicating statistics: Not just true but also fair[24]* published by Parliament on 21 May 2013.

A.37 Most industry users have identified core sets of statistics that they use regularly, and know how to find them. However, users told us that they were not confident that they were aware of all the official statistics that might be helpful to their business. Users reported that the sheer number of producer bodies meant that research could require considerable investment of time. There was a relatively low awareness of the National Statistics Publication Hub[25] (Hub) as the gateway to National Statistics. The use of the National Statistics logo also seemed to lead to occasional confusion due to its similarity to the ONS logo. Several users, who appreciated the principle of providing a one-stop-shop for government information, including statistics, mentioned GOV.UK. In practice, however, users told us that it was now more difficult to find official statistics and the respective website publishers needed to improve their services further. We saw an example where the industry had developed its own comprehensive guide to statistics relevant to the sector, which is TheCityUK's *Guide to Sources of Statistics on Financial and Professional Services[26]*.

Box 6 Illustration – The CityUK

Users TheCityUK researchers and membership of TheCityUK, primarily financial and related professional services providers	**Official Statistics Used**: Key economic and labour market statistics and pensions statistics.

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[23] http://www.statisticsauthority.gov.uk/reports---correspondence/correspondence/index.html
[24] http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpubadm/190/19002.htm
[25] http://www.statistics.gov.uk/hub/index.html
[26] http://www.thecityuk.com/guide-to-sources-of-statistics-on-financial-and-professional-services-2012

Type of decision the statistics inform: facilitating analysts' research.

How the statistics are used: TheCityUK, an independent membership organisation that aims to promote the competitiveness of the UK financial services industry, publishes an annual guide to the sources of financial services statistics that it has accessed in the course of its research about the industry.

TheCityUK's membership and subscribers can access the guide, together with the research reports and articles which draw on the statistics in the guide. For example, a 2011 report about equity markets and the UK's positioning as a centre for international equity issues drew on share ownership and operating and trade statistics for security dealers from ONS. However, official statistics account for only a small number of those sources used to support the aims of the organisation and its membership. Others sources include companies within the industry, financial services associations such as the ABI and the BBA, the Bank of England, international organisations such as Organisation for Economic Cooperation and Development (OECD) and International Monetary Fund (IMF), and information providers such as Thomson Reuters[27]. Some of these statistics are freely available; some are available to members only and others accessible on payment of a fee. These uses illustrate not only that the industry places a value on statistics but the scope and depth of statistics that are available to the industry.

A.38 Producer bodies publish release dates for National Statistics twelve months in advance, either through the producer body's website, through the National Statistics Publication Hub, or both. Whilst users were not always aware of these online calendars, they usually entered the release dates for the major macro-economic statistics into their diaries. In the case of ONS statistics, users told us they could easily miss the release of some of the 'smaller' economic statistics reports, as ONS did not always clearly flag impending release dates. One suggestion was for a clear 'Also released today' link on producer bodies' home webpages. Users also told us that they would appreciate greater visibility of the release of one-off articles, analyses and methodology papers, including advance warnings of publication dates.

A.39 Some users told us that they were aware of ONS' 'Email Alerts' service[28], where they can sign up to be alerted to the release of statistics based on a profile they have set up. Industry users who said they use it, liked this service. The only criticism was that users wanted the option to specify their profile in more detail – for example, for price statistics rather than all economic statistics. Users also very much liked ONS' Twitter account but thought it could be used more to trail publications, as well as to announce them. Additionally, users told us that Twitter was an ideal route for highlighting the ad-hoc publications. One suggestion was that ONS should publish a weekly Twitter summary on its website's homepage for those who might have missed a few days and need to catch up. They were of the view that this would encourage more followers to sign up.

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[27] http://thomsonreuters.com/
[28] http://www.ons.gov.uk/ons/about-ons/what-we-do/social-media-policy/email-alerts/index.html

A.40 Users persistently raised concerns about the well-documented issues of usability of the ONS website. Whilst users had noted some improvements since the relaunch of the website, they told us that they were unaware of ongoing improvements. We were aware that ONS had been tackling the various issues but when we spoke with users, there was little evidence that ONS had kept them informed about planned improvements. Also, users told us that earlier engagement with them might have pre-empted some of the problems they have encountered with the design of ONS' website and with GOV.UK.

A.41 As expert and regular users of official statistics, financial services firms have some specific priorities in regard to accessing time series data, telling us that these were the:

- ability to easily bulk download data immediately on release;
- ability to download the same set of time series every month without having to re-specify the requirement every time; and
- need for real time updating of time series when the latest data are released.

Some users told us that whether they downloaded the data themselves, or employed another party to do so, it was critical for them to be able to easily and consistently identify and communicate the series they wanted. Industry users told us that, in this respect, they made extensive use of ONS's 4-digit identifiers (CDIDs) for economic and labour market statistics and any change in the functionality of this model could affect them materially. Users embedded these CDIDs in their systems and used them when defining their data specifications. Some users expressed their disappointment that it was not possible to specify and save a list of their regularly-used unique CDIDs, to make small downloads more efficient. Instead, designers appeared to expect users to know which data table the series is in, select the series from that table, and repeat this process for different outputs.

A.42 Users of detailed official statistics, published as series of cross-cutting data tables, told us that they preferred access to datasets with the functionality to interrogate the data themselves. Common examples, where users wanted to explore different cuts of the data than are presented in the official statistics publications, included statistics from ONS' *Wealth and Assets Survey* and HMRC tax statistics. Banking users have commented, in the context of insolvency statistics, that the adoption of presenting tables in an XML (eXtensible Mark-Up Language[29]) format might ease the use of the statistics in other software tools for presentations. Users of detailed labour market statistics commended NOMIS[30], run by the University of Durham on behalf of ONS. As well as liking the interrogation functionality that this service offers, users commented on its responsiveness to new requirements and the positive way it has developed in recent years. ONS told us that it had been developing, and user testing, services to improve data accessibility[31] and was launching some 'trailblazer' economic statistics datasets through a new online data explorer.

A.43 Some users gave us examples of statistics where they wanted to access more detailed statistics than those currently published. However, when they requested such data, producer bodies had usually cited two principal objections: concerns about the reliability of the data below a certain level of aggregation; and, the need to ensure that official statistics did not reveal the identity of individuals or organisations. Whilst users understood official statistician's concerns about the impact on the reliability of the data below certain levels of

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[29] http://www.xml.com/
[30] https://www.nomisweb.co.uk/
[31] http://www.ons.gov.uk/ons/about-ons/what-we-do/programmes---projects/enhancing-access-to-ons-data/index.html

disaggregation, they told us that, as expert users, they wanted to access the detailed data, even with the necessary caveats. They would then be able to make their own judgement about the fitness for purpose of the data. Principle 8.3 of the Code of Practice says, "Make statistics available in as much detail as is reliable and practicable, subject to legal and confidentiality constraints...." The reference to being 'reliable and practicable' is not intended to give the producer body the option of withholding data on the grounds that such data may not be completely 'reliable,' but more to apply only to cases where unpublished data are demonstrably unsuitable for any valid statistical purpose.

Annex B:

List of organisations contributing to the review

Name of organisation	Activities	Market
Alternative Investment Management Association (AIMA)	Global representative of the hedge fund industry with approx 1,300 members internationally	Capital markets
Association of British Insurers (ABI)	Lobbying body for general insurance, investment and long-term savings industry. 300 members accounting for approx 90% of premiums in the UK	Insurance
Association of Financial Mutuals (AFM)	Trade body representing mutual insurers, friendly societies and other financial mutuals. Comprises 55 members	Insurance
Association of Private Client Investment Managers and Stockbrokers (APCIMS)	Represents firms who act for private investors - 216 member firms operate on more than 500 sites throughout the British Isles	Capital markets
AVIVA	Global Insurance company	Insurance
Bank of England	Central Bank	Banking
British Bankers Association (BBA)	Trade Association for the UK banking and financial services sector. 240 member organisations with a worldwide presence in 180 countries	Banking
Financial and Economic Statistics User Group	110 users of statistics from the financial services community as well as those interested in economic statistics	Cross - sector
Building Societies Association (BSA)	Trade Association representing mutual lenders and deposit takers. Includes all 47 UK Building Societies, Mutual lenders and deposit takers employing 50,000 people	Banking
City of London	Promotes the City of London as the world leader in international finance and business services	Cross-sector - for City based organisations
CMI Ltd	Carries out research into mortality and morbidity experience. A company wholly owned by the UK Actuarial Profession	Insurance and re-insurance
Council of Mortgage Lenders (CML)	Trade Association for the mortgage lending industry- Members account for around 95%	Banking

	of the UK residential mortgage lending	
Financial Ombudsman Service	Regulator	Cross-sector
Investment Management Association (IMA)	Represents the UK investment management industry. Approx 200 members accounting for over 95% of the industry operating in the UK	Capital markets
Jefferies International	Offers sector expertise across a full range of products and services on a global basis in investment banking, equities, fixed income, commodities, wealth and asset management	Banking
Local Authority Pension Fund Forum (LAPFF)	Leading voice in corporate governance and responsible investment in the UK. Represents 54 local authority pension funds holding more than £115bn in collective assets under management	Asset Management
National Association of Pension Funds (NAPF)	Representative body for Pension Funds- Speaks for 1,200 pension schemes with approx 15m members and assets of around £800bn	Asset Management
Nationwide	Large Building Society	Banking
Pension Protection Fund (PPF)	Pays compensation to members of eligible pension schemes where there is insolvency	Activities auxiliary to asset management
Royal London	Commercial Insurance company	Insurance
Scottish Financial Enterprise (SFE)	Representative body of the Financial Services Sector in Scotland- members account for over 80% of individuals employed within the industry well over 200,000 people in total	Cross-sector in Scotland
Scottish Widows	Commercial Insurance and Pensions company	Insurance and Asset Management
Society of Business Economists (SBE)	Leading organisation serving business economists in the UK	Cross -sector
The CityUK	Champions the international competitiveness of the financial services industry. Engages with 750+ organisations	Cross-sector
The Pensions Regulator	Regulator	Asset Management
The Society of Pension Consultants (SPC)	Representative body for a wide range of providers of advice and services to work-	Asset Management

	based pension schemes and to their sponsors. Includes the majority of the 500 largest UK pension funds employing some 15,000 people	
UK Payments Admin Ltd	Trade association for the card payments industry in the UK. Represents 15 major credit card providers as well as 10 other members	Banking
The Share Centre	Retail stock broking organisation set up to focus on personal share ownership. Manages c. 300,000 investor accounts, providing direct share ownership and fund services.	Capital markets

Annex C:

Description of the financial services industry

C.1   The financial services industry is a major contributor to the success of the UK economy and to wider society. In recent times, the sector, particularly the global banking sector, faced a significant threat to the sustainability of that success. The industry represents 10 per cent of UK GDP in 2011 and 12 per cent of UK tax receipts, and directly employs just over one million people. Financial services accounted for a trade surplus of £34.8 billion in 2012.[32]

C.2   There are four important sectors of the UK financial services industry:

- Banking - The UK banking sector assets are the second largest in the world. International banks hold nearly half of the UK's banking sector assets while UK owned banks have over half of their assets outside the country.
- Insurance /reinsurance – The UK insurance industry is the largest in Europe and third largest in the world. It consists of insurance companies, the Lloyd's market, intermediaries, and various specialist support professionals and services.
- Capital markets - stock markets such as the London Stock Exchange (LSE) and the PLUS Exchange provide markets where companies can raise capital from investors, and investors can buy and sell shares. The UK has the highest equity market capitalization in relation to GDP of the largest countries with 135 per cent in 2011.
- Asset management - the UK is one of the largest markets in the world for asset management along with the US and Japan. UK assets under management totalled a record £4.8 trillion, mainly held in pension fund assets, mutual funds, insurance funds and with overseas clients.

C.3   Whilst London is a global financial services hub, the importance of the industry is not just confined to the capital. The industry accounts for significant proportions of regional employment and regional GVA in almost all of the English regions. Edinburgh is the second substantial financial services centre in the UK and in Scotland overall, the industry accounts for 13.1 per cent of regional GVA. In Wales, the industry contributes just under 5 per cent of overall employment and just under 10 per cent of regional GVA, principally in Cardiff, Swansea and Newport. In Northern Ireland, the industry accounts for approximately 4.5 per cent of employment and 7.4 per cent of the regional GVA, mostly in Belfast.

C.4   There are a number of companies whose activities are closely related to the financial services industry such as credit risk agencies. These have not been included within the scope of this review which has focused on the four sectors set out in paragraph C.2 above.

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[32] UK Balance of Payments – The Pink Book 2013, Table 3.3, http://ons.gov.uk/ons/rel/bop/united-kingdom-balance-of-payments/2013/index.html

Annex D:

Table of official statistics used by the industry

Theme	Statistics	Producer
Economy – GDP and National Accounts	- Gross Domestic Product Preliminary Estimate - Second Estimate of GDP - Quarterly National Accounts - United Kingdom Economic Accounts - United Kingdom National Accounts – The Blue Book - UK Sector Accounts	ONS
	- Gross Domestic Product - Input-Output Tables for Scotland	Scottish Government
Economy – Balance of Payments, International Trade and International Development	- Balance of Payments - United Kingdom Balance of Payments – The Pink Book - UK Trade - International Trade in Services - Foreign Direct Investment - Mergers and Acquisitions Involving UK Companies	ONS
	UK Trade Statistics - UKTradeInfo	HMRC
	- Scottish Export Statistics – Index of Manufactured Exports - Global Connections Survey	Scottish Government
	UK ODA as a proportion of gross national income (GNI)	DfID
Economy – Prices, Sales and Consumer Expenditure	- Consumer Price Inflation - Producer Price Inflation - Retail Sales - House Price Index - Consumer Trends	ONS

	• Scottish Retail Sales Index	Scottish Government
Economy - Other	• Index of Services • Index of Production • Business Investment • Ownership of UK Quoted Shares • Profitability of UK Companies • MQ5: Investment by Insurance Companies, Pension Funds and Trusts • Gross Domestic Expenditure on Research and Development • Business Enterprise Research and Development • Public Sector Finances • Wealth in Great Britain • Regional Gross Value Added (Income Approach) • Regional Gross Disposable Household Income	ONS
Labour Market	• Labour Market Statistics • Labour Productivity • Annual Survey of Hours and Earnings • Nomis	ONS
Population and demography	• UK Censuses	ONS, NISRA, National Records of Scotland
	• Population statistics • Mortality Statistics: Deaths Registered in England and Wales	ONS, NISRA, National Records of Scotland
Household Income, Benefits and Pensions	• Pension Trends • Occupational Pensions Scheme Survey	ONS
	• Household income, benefits, pensions statistics • Family Resources Survey • Stat-Xplore	DWP

	• English Indices of Deprivation	DCLG
	• Purple Book • PPF 7800 Index	PPF
Business	• Business Demography • UK Business: Activity, Size and Location • Inter-Departmental Business Register standard analysis	ONS
	• Business Population Estimates • Mid-sized businesses • Insolvency	BIS

Taxes, charges and thresholds	• HMRC Tax and National Insurance receipts
	• Personal Taxes
	• Business Taxes
	Some specific examples:
	
	    ○ Capital Gains Tax
	    ○ Property Transactions
	    ○ Stamp Duty
	    ○ Individual Savings Accounts (ISA)
	    ○ Child Trust Funds
	    ○ HMRC Rates and Allowances
		HMRC

Agriculture	• Economic Report on Scottish Agriculture • Agriculture Fact and Figures	Scottish Government
Housing	• House Price Index	ONS
	• House Price Index	Land Registry
	• House Price Statistical Report	Registers of Scotland
	• Dwelling Stock (including Vacants) • Affordable Housing Supply in England • English Housing Survey • House Building in England • Housing Market	DCLG

	• [Mortgage Rescue Scheme monitoring statistics](#) • [Tenure trends and cross-tenure analysis](#) • [NewBuy Guarantee scheme statistics](#) • [Social Housing Sales (including Right to Buy)](#) • [Live tables on repossession activity](#)	
	• [Private Rental Market statistics](#)	VOA
Health	• [Waiting times statistics](#)	NHS England
	• [Illnesses and conditions statistics](#)	HSCIC
Crime	• [Crime statistics](#)	ONS
Fire	• [Fire statistics](#)	DCLG
Transport	• [Road traffic](#) • [Road accidents and safety](#) • [Vehicle licensing](#)	DfT
National Well-being	• [National Well-being](#)	ONS
Other statistics	• [Internet Access](#) • [National Statistics Postcode Products](#)	ONS

Industry representatives we spoke to also told us about its use of non-official statistics and data from the following organisations

- Environment Agency – Flood Risk
- National Fraud Authority – Annual Fraud Indicator
- DWP Compensation Recovery Unit - Recovery statistics for the 2008 Diffuse Mesothelioma Scheme and Performance Statistics
- Competition Commission statistics