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Director General for Regulation

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20 March 2018

Dear Jonathan

QUARTERLY SECTOR ACCOUNTS

We have reviewed the actions that the ONS statistical team has taken in response to our Assessment Report number 333[1] on Quarterly Sector Accounts (QSA).

On behalf of the Board of the Statistics Authority, I am pleased to confirm the designation of these statistics as National Statistics.

The assessment of these statistics raised three main areas of concern – the need for ONS to: broaden the appeal of the statistics beyond expert users; improve the setting of context and non-expert users' understanding of economic history in the UK; and better help users to properly understand the limitations of the estimates in these statistics.

I am impressed by the way the statistical team has taken on board the messages about better explaining these statistics to a less technical audience. Findings relating to technical concepts are communicated clearly using accessible language. And, the inclusion of a long time series allows users to put the contemporary statistics into a proper historical context. This enhances the value of the statistics by improving users' understanding of contemporary economic statistics.

When the QSA bulletin was first published, it only focused on describing trends in sector net positions (borrowers or lenders) and the savings ratio; it did not draw out richer analysis. Now, the statistics address key questions about household debt. The statistics:
- look at the relationship between net saving-to-disposable income ratio for the household sector

- help users understand why the household sector, historically a supplier of funding to other sectors, underwent a change in roles and became a net borrower of funds in the eight years preceding the financial crisis, while the nonfinancial corporate sector, which normally uses funds from other sectors for its investment needs, acted as a net lender in the early 2000s

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[1] https://www.statisticsauthority.gov.uk/wp-content/uploads/2017/03/Assessment-Report-333-Quarterly-Sector-Accounts.pdf

- help users understand changes to the Non Profit Institutions Serving Households (NPISH) sector, which used to be combined with the much bigger and prominent household sector, but is now separated out. This has the potential to inform users about changes to the contribution of academia and the charitable/voluntary sector to the economy

I also welcome the information that you have published about the quality of these statistics. The new Quality and Methods Information document, published in December 2017, contains a clear and detailed overview of your quality assurance processes, which gives users reassurances about the quality of the statistics.

We have included more detail about our judgement in an annex to this letter. I, or my team, would be very happy to talk you or colleagues through any aspects of this letter, the annex or Code compliance more generally.

National Statistics status means that official statistics meet the highest standards of trustworthiness, quality and value, and is something to be celebrated. We invite you to include a statement alongside the statistics which reflects this status.

I am copying this letter to John Pullinger, the National Statistician.

Yours sincerely

Ed Humpherson
Director General for Regulation

Annex: Review of actions taken by ONS in response to Assessment Report 333 on Quarterly Sector Accounts

Requirement	Actions taken by ONS to meet Requirements	Office for Statistics Regulation evaluation of evidence in meeting Requirements
Value Requirement 1 To broaden the appeal of the statistics beyond expert users, ONS should: a) Through researching the needs of potential new users, consider the enduring questions where new users might wish to gain insight b) Reflect on how the statistical bulletin can address topical questions using long term trends in these and related statistics c) Publish the statistics alongside analysis that appeals to a broader range of user types	a) The statistical team: • has reviewed whether there would be a user interest in a separate user group for users of Non-profit institutions serving households (NPISH) statistics and at the end of December 2017, contacted some key groups, but to date these organisations have not responded • is using its sector.accounts inbox to gauge level of interest in the statistics and to provide new analysis, and supplied a summary of inbox queries for December. The analysis shows that there is a level of interest in the statistics. Additionally, the team has included a section in the bulletin inviting feedback on the bulletin • helped Full Fact on its 'Are household savings at their lowest in 50 years?' briefing published on 13 September 2017 • informed users about upcoming changes to sector and financial accounts by publishing a series of impact articles. The last update before publication talked about dividends change and was picked up by the Financial Times • the statistical team reviewed main-stream media pick-ups of their sector accounts analysis. These showed the importance of household sector statistics, particularly household debt. There was interest in the income distribution and in unsecured mortgage debt b) The statistical team: • in the June 2017 bulletin, added a piece on household debt and then followed that up in the	**Requirement met** We welcome the steps the statistical team has taken to make these statistics more accessible and engaging for new and existing users, by adding new, topical commentary and historical context; adding new data tables; and using new tools and visualisations to disseminate key concepts and findings to citizen users. There is still scope for further improvement. While the one-off sections of topical commentary and analysis are helpful for users (for example, the summary of the impact of insurance and pensions data on household saving ratio in the March 2017 bulletin), they may be difficult to locate for new users. One way to make the bulletins and analysis more coherent is by including a list of the topics of the one-off sections of commentary/analysis, together with a short description and link to the relevant bulletin, on the quarterly sector accounts webpage or in the latest bulletin.

September 2017 bulletin with a long-run analysis of household debt to income ratio

- produced a visual piece highlighting the special events in history impacting on GDP:

  https://visual.ons.gov.uk/gdp-and-special-events-in-history/

- continues to use the Bank of England inflation report and other external sources for important topics. An example is the signals from the inflation report about household spending versus household saving and unsecured lending

- continues to ensure that in the commentary accompanying the statistics they put figures in their historical context. For example, in the December 2017 bulletin, the statisticians presented the household saving ratio all the way back to Quarter 1 1997, showing low saving ratio figures, similar to those currently presenting, back in Quarter 1 1999. ONS also presented the net lending and net borrowing position of UK sectors from the non-financial account back to Q1 1997. And, in the June 2017 bulletin, it commented that net borrowing for central government was £4.6 billion in Quarter 1 2017, the lowest since Quarter 1 2002

c) The statistical team:

- created a SlideShare for the citizen user, focusing on how households have being effected since 2008 economic downturn:

  https://www.slideshare.net/statisticsONS/economic-living-standards-in-the-uk

  It had more than 1,500 views in the first few hours, well above average for a SlideShare. It also generated some interest on Twitter, including from Hetan Shah (Executive Director of the Royal

	Statistical Society)	
	• blogged on international investment position revisions following an article in the Daily Telegraph: https://blog.ons.gov.uk/2017/10/23/has-500-billion-really-gone-missing/	
	• added three new tables to the release: Sectors' net lending (+) / net borrowing (-) from the financial account; Sectors' net financial worth from the financial balance sheets; and GNI – Sectors' share of gross national income (GNI)	
Value Requirement 2 To improve the setting of context and non-expert users' understanding of economic history in the UK, ONS should present longer-term time series and graphical presentations with appropriate commentary.	• The latest bulletins provided a long run of all their charts (going back to Q1 1997) where data exist (other time series for particular components) • The statistical team has made the headings in the bulletin shorter and more comprehensible to a non-technical audience, following a review of the bulletin by ONS's communications team. The title now becomes part of the story, for example, 'Real households and non-profit institutions serving households (NPISH) disposable income (RHDI) fell' • The statistical team is also working with ONS's Good Practice Team on improving the bulletin but has not yet been able to introduce their suggestions • When investment decisions of insurance companies affected the accounts, the statistical team included an explainer piece	**Requirement met** The statistical team has made some important changes to the bulletin that enhance its public value. The inclusion of a longer time series adds useful historical context and gives users a better understanding of contemporary economic statistics. And, the addition of relevant topical analysis and commentary means that statistics now help users address key economic questions, such as how and why household debt has changed over time.
Quality Requirement 3 To better help users to properly	a) The statistical team has published Quality and Methods Information (QMI) about the Quarterly Sector Accounts and added a link to this document in the bulletin. The QMI contains important information on:	**Requirement met** We welcome the information the statistical team has published about the quality assurance and the limitations of the statistics. The new Quality and

understand the limitations of the estimates in these statistics ONS should**:** a) Record the quality and methods information in a format consistent with other National Account statistics. This could include information about revisions, the statistical discrepancy, the availability of the non-seasonally adjusted series in the UK Economic Accounts, warnings about international comparisons, reasons for choices made to present gross rather than net saving, and a glossary of terms for non-expert users b) Consider publishing a visual or infographic of flows between sectors. The Regulatory team believes that this type of high-level diagram is extremely helpful for understanding sector accounts, particularly for the non-expert user c) Consider commenting in the statistical bulletin on discrepancies between movements in the seasonally adjusted and non-seasonally adjusted series where these diverge materially d) Provide links in the statistical bulletin to the comparative	➢ the strengths and limitations of the data and how it compares with related data ➢ uses and users of the data ➢ how the output was created ➢ the quality of the output including the accuracy of the data b) • On 17 November 2017, ONS published UK flow-of-funds to help users visualise the from-whom-to-whom estimates by using Sankey diagrams and heatmaps showing the counterparty relationships between institutional sectors. This meets a growing demand for improvements to data to support such analysis • The QMI contains information on seasonal adjustments • The statistical team recently filled a vacancy with a methodologist with a time series background. The team told us that it is planning on reviewing the existing data and, in March 2018, publishing a piece on which data series are particularly seasonal c) • The December 2017 bulletin included a comparison of the UK and international saving ratios • The statistical team told us that they had a valuable discussion with the Scottish Government team at the end of January 2018 to discuss the best way for the Scottish Government to move to a household only measure rather than a household and NPISH combined measure, to bring it line with	Methods Information document covers many aspects of the quality of the statistics, including how the output was created and finer methodological details such as seasonal adjustments. We are also impressed with links the team has established with statisticians in the Scottish Government to ensure coherence and comparability of sector account statistics, in particular, separating out the household and NPISH sectors.

Scottish saving ratio	ONS's methodology. The discussion with the Scottish team covered many potential areas for collaboration	