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10<sup>th</sup> July

Gordon

## **INQUIRY INTO SCOTTISH ECONOMIC STATISTICS**

Thank you for your letter of 14 June to Mr Brown in which you seek further advice on three broad areas following his response, on behalf of Scottish Government, to the Committee's recommendations.

Before turning to these points, I would reiterate my support for this inquiry and the main thrust of the recommendations by the Committee which the Scottish Government have accepted in full.

I also look forward to engaging with the Economy, Jobs and Fairwork Committee in my new role. I value the input and role of Committee's and alongside this report I am considering the Committee recommendations into the performance of the Scottish economy which you recently published.

### *Feasibility Study*

Firstly, on the recommendation of the Committee to explore options for moving the production of economic statistics outwith the Scottish Government. I support the position advocated by the Chief Statistician in response to the Committee on that recommendation. Mr Halliday set out his reasons, which I have no reason to differ from but would add a further point around public value and the potential of duplicating functions either within Government or in an NDPB.

### *Pre-Release Access (PRA)*

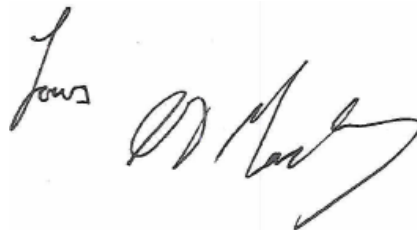
Secondly, on Pre-Release Access and the arrangements relating to the provision, production and access to official statistics in Scotland. As you are aware, this is the responsibility of the Chief Statistician and Mr Halliday has responded directly to the Committee on this particular recommendation. I appreciate there was a range of different views expressed to the Committee, which informed the Committee's deliberations but this remains under the purview of the Chief Statistician and it is appropriate that he responds formally with regard to this matter. Therefore I don't believe it is appropriate for me to add anything further at this time but I am happy to engage further. I believe the Chief Statistician has also published the analysis which was shared with Committee in relation to market sensitive statistics.

*Scottish Fiscal Commission (SFC)*

Finally, you raised the important issue of ensuring that we meet the data needs of the Scottish Fiscal Commission as a priority. I was surprised when I read the Committee's concern that we don't place enough emphasis on the needs of the Scottish Fiscal Commission (SFC). As you know in my previous role as Cabinet Secretary for Finance and Constitution I engaged regularly with the SFC and as set out in Statute they provide the official forecasts for the Scottish Government budget. Therefore, we all have a direct interest in ensuring these are as robust as possible.

I have asked my officials for reassurance on this point and the Annex to this letter sets out what we are doing in response to all of the data issues raised by the SFC in their written submission. You will see that work is already in hand on a number of fronts and I believe they are being well served within the existing constraints regarding data availability and collection. I will however pursue this further through my regular engagement with SFC to ensure this issue is sufficiently addressed.

I trust you find this helpful and would be happy to discuss further as required.

A handwritten signature in black ink, appearing to read 'Derek Mackay', written over a light blue horizontal line.

**DEREK MACKAY**

## **ANNEX – SCOTTISH FISCAL COMMISSION DATA REQUIREMENTS**

The Scottish Parliament has recommended that the statistical needs of the SFC – given its responsibility for economic and fiscal forecasting – should be a top priority. These needs have been prioritised during the drafting of the Economic Statistics Plan for 2018-19. In its written submission and during its appearance at committee, the SFC highlighted four areas of current priority in its work:

- price data and deflators for Scotland;
- GDP by component of expenditure, or GDP(E), in constant prices;
- better and more timeous data on Scottish wages;
- and a more comprehensive breakdown of public sector expenditure in Scotland.

The Committee recommended that the Scottish Government prioritises these needs where it can collect the data and works with ONS/HMRC/others where it cannot.

Scottish Government statisticians have a close and productive working relationship with the SFC. Regular meetings are held following, or in the lead up to, national accounts publications to discuss technical issues. These meetings ensure that the SFC is kept up to date with developments to data and methods, and that the uses of the statistics and needs of the SFC are understood by the Scottish Government. Many of the priorities that the SFC identified in their written submission reflect known issues for which development work is underway or in the pipeline.

The Scottish Government and SFC recognise that there are significant technical challenges relating to these developments, and that many of the desired improvements represent longer-term projects which will require partnership working with ONS and others to access or increase the data available for Scotland. Accepting these challenges, the SFC has suggested ways in which helpful improvements could be made by the Scottish Government in the shorter term. The Scottish Economic Statistics Plan for 2018-19, which is currently being finalised for publication, reflects progress in these areas. Other developments relating to these priorities are also currently active matters for the Devolved Economic Statistics Co-ordination Group (DESC), chaired by ONS, which meets four times each year.

On the use of price data and deflators to adjust the GDP components of expenditure in Quarterly National Accounts Scotland (QNAS) into constant prices, the Scottish Government is prioritising further development of this work in the current year. Over recent years, there has been considerable focus on improving the detail and accuracy of GDP by expenditure in nominal terms (current prices). This has been an essential precursor to enable the subsequent deflation of the results. Building on this work, we plan to begin publishing estimates of deflated GDP(E) on an experimental statistics basis<sup>1</sup> during 2018-19, and will keep the SFC appraised of progress during the year.

On other price statistics, the investigation of sub-UK consumer price indices has been under active consideration by ONS and partners at University of Southampton.

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<sup>1</sup> Experimental statistics are defined as new official statistics undergoing evaluation.

The first results of this research were published in November 2017<sup>2</sup>. The Scottish Government is fully supportive of this work.

On wages and earnings data, the Scottish Government is exploring how new administrative data on Real Time Information (RTI) for PAYE data held by HMRC can be used to improve estimates of Compensation of Employment (a key measure of earnings) in the Scottish National Accounts. Data access and technical issues are being discussed with HMRC along with ONS and the other Devolved Administrations through the DESC group.

Finally, on a more comprehensive breakdown of public sector expenditure in Scotland, the Scottish government is investigating the use of administrative data from the Online System for Central Accounting and Reporting (OSCAR) spending database. This is an HM Treasury system which provides detailed and timely information on public spending across the UK. This information will help to improve estimates of public sector consumption and investment in the Quarterly National Accounts, and provide more detail for breakdowns between the different sectors of Government and categories of spending. This information is also required to develop the deflated of GDP(E) measures mentioned previously. As well as this line of work, more detailed devolved public finance statistics are planned for publication later in 2018. A user consultation on these developments is currently open: see [www.gov.scot/gers](http://www.gov.scot/gers)

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<sup>2</sup>[https://www.ons.gov.uk/economy/inflationandpriceindices/methodologies/feasibilitystudyintoproducin\\_gcpihconsistentinflationratesforukregions](https://www.ons.gov.uk/economy/inflationandpriceindices/methodologies/feasibilitystudyintoproducin_gcpihconsistentinflationratesforukregions)