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J Hibbert Esq
Department of Trade and Industry
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Your Ref S5646
Our Ref HE/07

29 May 1985

Dear Hibbert.

ROUNDING OF PUBLISHED STATISTICS: TRADE FIGURES

I write, with apologies for the delay, to thank you for your letter of 15 March.

2. I think this correspondence has been useful in clarifying our respective positions. But I do not think there is much to be gained by further discussion. We note your continuing reservations about publishing the indices to one place of decimals, accompanied by a suitable health warning. And I think you will appreciate that, for Parliamentary and other briefing, quoted percentage changes need to match the published indices. Otherwise the Opposition, and outside commentators, will be needlessly puzzled over differences between their figures and those used by Ministers.

3. I am sending copies of this letter to recipients of yours.

pp K Veren.
M T FOLGER

cc Mr Turnbull (No 10)
Mr Folger o.r.
Mr Mowl
Mr CW Kelly
Mr Walker
Mr Craxford - CSO
Mr Griffin - CSO
HE/07

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S5646

15 March 1985

NBPM

M T Folger Esq
Economic Briefing Division
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Dear Folger

ROUNDING OF PUBLISHED STATISTICS

We have considered carefully the points made in your letter of 27 February, but remain of the view that it would be unwise to extend the use of figures to one decimal place in the Press Notice beyond that offered in my letter of 21 February.

2. You make the very reasonable observation that the degree of rounding in the press notice is not consistently related to the accuracy of each series. This raises questions which have been debated on many occasions in the past and to which there are no wholly satisfactory answers. At one extreme we could adopt a policy of rounding each figure to the level of significance appropriate to its estimated reliability; the monthly current balance, for example, might be rounded to the nearest (say) £½ billion. This would give rise to many obvious practical difficulties. At the other extreme we could adopt a policy of publishing all estimates at the level of significance at which the underlying calculations have been made. This approach would have advantages for those who wish to process the figures further but would provide no indication of the relative reliability of the figures. The value estimates published in the monthly press notice are, as you observe, not rounded to reflect their relative reliability (the only exception being the projections of the invisible balance) but shown to the nearest £ million. This convention is followed throughout the balance of payments and national accounts, partly because of the practical inconvenience of presenting accounts which may not balance if the component figures are rounded. Not everyone agrees with this approach but we could hardly follow a different policy in the press notices when the unrounded quarterly and annual figures were to appear in the accounts published by the CSO.

3. Price and volume index numbers may give rise to additional considerations. For external trade the unit value, and aggregated average value, indices used to derive the volume indices are of course subject to errors additional to those in the value estimates. These sources of error are liable to increase significantly with disaggregation. Furthermore, the quality of the data from which the average value indices are derived is likely to have deteriorated, rather than

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to have been maintained or improved, in recent years. We certainly would not wish to do anything which gave the impression that the quality of the series had now improved.

4. You mention series which are currently published to one decimal place even though subject to subsequent revision. In the case of the component series of the PPI these are inherently far more reliable than the disaggregated volume series for external trade, so the publication of figures to one place of decimals would seem to me wholly appropriate. For the production industries the appropriate degree of rounding is perhaps less clearcut, but the monthly series for the seven component series within manufacturing are rounded to the nearest integer reflecting the CSO's judgement that the monthly series at this level of disaggregation are significantly less reliable than the quarterly series. (You should also note that even some annual series in the Blue Book are given differential degrees of rounding - see, for example, Table 1.16.)

5. Although I did not explicitly reject in my reply to your earlier letter the idea of a "health warning", you correctly infer that I am not convinced of its value. It seems to me that the main difficulty with saying that the figures are not necessarily accurate to the last digit shown (or some such formulation) is that it provides no real guidance to the user on relative reliability. It implies, furthermore, that unless such a statement is attached to the figures then they can be regarded as accurate to the last digit shown. In general I am very sympathetic to the idea that greater attention should be paid to the likely margins of error of the estimates published by the GSS, but warnings that the figures may not be as reliable as implied by the number of significant digits shown do not seem to me to help very much.

6. As a general comment on the use of our figures, even though one must accept that Ministers may wish to quote a point estimate, I would hope that wherever possible we could steer people towards statements of a kind which more properly reflect the reliability of the statistics. The suggestion in my note of 29 January that we should refer to an increase of "around 10 per cent" for the growth in the volume of UK exports of manufactures between 1983 and 1984 seems to have fallen on deaf ears, perhaps because of the difference between the figure including erratics (now estimated at 8½%) and that excluding erratics (now estimated at 10½%). In retrospect, a more helpful formulation might have been "an underlying increase of around 10 per cent" which would have reflected the fact that the figure including erratics is distorted by the particularly high exports of silver in 1983. If we could encourage Ministers and officials to view the figures in these terms, and to refer to them similarly when making public pronouncements, that would be significant progress.

7. Finally, you asked that the percentage changes between the latest 3 months and the same 3 months a year earlier should be shown in the press notice for all index numbers. As you may know, we have recently introduced these additional figures for Tables 2, 4, 5, 6 and 7 in the press notice, including the index numbers in those tables. It would be impracticable to extend this to the remaining tables without greatly enlarging the number of pages in the press notice which, we feel, is already large enough. If, however, you consider that the twelve month changes are particularly useful to you for a limited number of OTS categories (for example, exports and imports of manufactures), these figures could be provided to you by S2A at the time the press notice is released. If you wish to pursue this further please get in touch with Bill Boyd or Alan Hewer.

8. I am copying this to those in receipt of the earlier correspondence.

Yours sincerely

Jack Hibbert

J HIBBERT

Trade: movements in volume of trade
1/85.

21:1

Fill

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27 February 1985

Our Ref: HE/07

Dear Hibbert

MOVEMENTS IN VOLUME OF TRADE BY COMMODITY

– with AT 7

Many thanks for your letter of 21 February.

2. Your proposal to quote calendar year figures to a first place of decimals is welcome. I note your views on the undesirability of doing the same for the monthly figures.

3. On the latter issue I wonder if I might trespass on your time a little further to make some additional points? First, there does not seem to be any overall attempt to relate the rounding of trade statistics to their accuracy. The balance of payments figures, for example, give the current account to the nearest million pounds; yet everyone knows that, despite the present estimate of £79m, the 1984 current account balance, say, almost certainly did not lie in the range £78.6m to £79.4m. Second, there appears to be no objection elsewhere to giving estimates of monthly figures to one place of decimals even though these are likely to be revised subsequently. The DTI Producer Price Index and the CSO production industries index are examples. Third, I am unclear from your letter why you think a health warning to stress margins of error would be unacceptable.

4. Against this background you may perhaps wish to reconsider the possibility of publishing monthly trade index numbers to one place of decimals.

5. For the reasons explained in my letter of 1 February, figures for percentage changes for Ministerial use have to be based on published material. And quite often Ministers will need to refer to volume trends over a period more current than the latest calendar year.

4. Pending any decision on the monthly indices themselves, you might therefore wish to consider including in the Press Notice figures for the percentage changes in all index numbers not just for the latest 3 months on the preceding 3 months but also since the same 3 months a year earlier. These would be derived from your internal volume indices, with their single place of decimals, and as published figures would form the basis for Departments' briefing in the normal way.

5. I am sending copies of this letter to recipients of yours.

Yours sincerely

M T Folger

M T FOLGER

cc A Turnbull - No.10
C Mowl - Tsy
P Walker - Tsy
A Croxford - CSO
T Griffin - CSO

6/0

Your Ref

with compliments

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Our ref: HE/07

1 February 1985

Dear Hibbert

MOVEMENTS IN VOLUME OF TRADE BY COMMODITY

Following our telephone conversation earlier this week you kindly sent me a copy of your 29 January note to DTI Ministers. I tried unsuccessfully to call you today and instead drop you this note about a point arising.

2. I have taken the opportunity to check various percentage increases, whole year 1984 on whole year 1983, as quoted in your letter against those derivable from the index numbers published with the 25 January press notice. In general they do not tally, for example:

volume increases in manufactures, per cent

	excluding erratics	including erratics
exports		
29 January note	10.7	9.3
press notice	11.7	9.7
imports		
29 January note	11.5	9.9
press notice	11.7	9.2

3. It is the figures deriving from the Press Notice which we (and I think No.10) use in briefing - for the very good reason that outside commentators and critics will be using those same figures. Yet in some instances they seem to differ by up to a full percentage point from your figures.

4. I guess that the numbers you quote are based on internal volume indices which go to one place of decimals (or more?) rather than simply to the nearest whole number as the published indices do. This different practice on rounding may be one source of the recent "confusion" about exact percentage growth rates, to which you refer in your note.

5. May I suggest that, to avoid future confusion, the press notice might quote the indices to one place of decimals (with a suitable health warning as necessary about that decimal not

always being precise?) This would also be helpful, I understand, to those who prepare the Industry Act forecast here.

6. I am copying this letter to Mr Turnbull at No.10 and to Mowl (EA2) and Walker (EF1) here.

Yours sincerely
M T Folger

M T FOLGER

cc A Turnbull Esq - No.10
C Mowl - EA2
P M Walker - EF1

OTO

Reference S 5842

cc TF

PS/Economic Affairs, 10 Downing St ✓
Mr Wells (CSO)
Mr Folger (Treasury EB division)

STATISTICS OF UK TRADE IN MANUFACTURES

Some confusion appears to have arisen about the growth in export volume between 1983 and 1984. You may find is useful to see the attached explanatory note which I have circulated within the Department of Trade and Industry. The Treasury brief circulated yesterday is consistent with the figures referred to in my note.

Jack Hibbert

J HIBBERT
S2
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215 5574

29 January 1985

CODE 18-77

Reference ....

Ministers
Sir Anthony Rawlinson
Sir Brian Hayes
Mr Liesner
Mr Roberts
Mr Rumbelow

cc: Mr Boyd
Mr Goate

GROWTH IN THE VOLUME OF TRADE IN MANUFACTURES BETWEEN 1983 AND 1984

Exports

Some confusion seems to have arisen over the growth in the volume of exports of manufactures between 1983 and 1984. Including the so-called erratic items (ships, aircraft, North Sea installations, precious stones and silver) the increase was 9.3 per cent; excluding these items it was 10.7 per cent. In quoting a figure for the increase our advice is therefore to use the phrase "around 10 per cent".

2. A higher figure was referred to by the Prime Minister in a TV interview on Thursday 24 January. It seems that this was taken from the latest Treasury brief and related to the increase in non-oil export volume between Sept-Nov 1983 and Sept-Nov 1984.

Imports

3. The volume of imports of manufactures in 1984 was 9.9 per cent above the level in 1983; less the erratic items the increase was 11.5 per cent. We would usually refer to the former increase as "about 10 per cent".

Terms of trade

4. The terms of trade in manufactures fell by about ½ per cent.

Balance of Trade

5. The balance of trade in manufactures was in deficit by £3.9 billion in 1984 compared with a deficit in 1983 of £2.4 billion. The rate of increase in the deficit was less between 1983 and 1984 (£1.5 bn) than that between 1982 and 1983 (£4.7 bn).

Share of World Trade

6. The volume increase in manufactures between 1983 and 1984 of about 10 per cent is at the upper end of outside forecasters' projections of the rise in the volume of exports of the main manufacturing countries in this period. It is reasonable to suppose that the UK therefore in volume terms maintained the share of world trade achieved in 1983.

7. In view of the fall in the value of sterling against other currencies - particularly the dollar - however it is unlikely that the share in value terms was maintained.

Jack Hibbert

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29 January 1985

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