Better Statistics CIC

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By email to: Philip Bunn, Bank of England

CC: Fergal Shortal. Bank of England

10th March 2025

Dear Philip,

Thank you very much for the link to the ***Users Guide***, which provides a great deal of information about the panel(s) and the results. However, it is not a simple matter to reach a conclusion as to what benefits are to be obtained from the results. In particular Better Statistics (BSC) are concerned that, publicly, the panel is spoken of as covering all UK Business, although it only covers businesses with 10 or more employees it therefore covers less than 75% of the UK economy, which may have serious implications for some decisions by the Bank of England and others.

Moreover, the information provided does not explain:

a. how representative is the Bureau van Dijk FAME database of the Universe of UK business with 10+ employees? Has there been a detailed comparison of the database with the universe as defined by the IDBR data published by the ONS each year as a workbook "*UK Business, activity, size and location,* year.*xlsx*"[1].

b. how biased (or not) is the declining response rate? We note that the decline has been in responses from Chief Financial Officers (CFOs), somewhat offset by an increase in responses from Chief Executives and other staff. Has there been any investigation of the reason for this? Does it represent a corresponding decline in the total numbers of CFO's? We understand that there have been extensive follow up phone calls with non-responders - has this work demonstrated any bias in response? (Please see further comments below)

c. what is the justification for the weighting as applied? The report shows that the effect of the weighting is minimal, insofar as the weighted and unweighted results are very similar. Some may find this to be reassuring but we are not sure as to what the weighted results actually represent, since the weighting design seems to be primarily concerned to reduce data variance, rather than to truly represent the population of businesses with 10 or more employees.

[1] I assume that the latter is the register referred to in the text comparing the achieved sample with the universe.

With regard to the weighting procedure the Guide specifies "*To construct the weights, respondents are divided by industry (14 industries) and firm size (two size categories) into the 28 groups used in creating the sample*." Whilst we accept that the results represent aspects of the UK Economy, there appears to be no control of the results by region. This is of major concern, particularly because the response details provided in Figure 8 clearly indicate a bias in favour of the London region (see appended charts selected from the Guide). It would be of interest to have more details of the response by each of the categories of activity / size and region as a regular response report, rather than the average over time.

We therefore do not agree that the weighting leads to results that are truly representative although we accept that it "*caps the weight of very large individual companies and prevents them from dominating the overall results*". There are other weighting methods that improve representation and do not induce exceptional data variance, but there should always be a check of the resultant contribution from each sample unit, particularly when dealing with volumetric data.

Moreover, although there is nothing technically wrong with the assertion that "*The DMP has several checks and strategies in place to remove outliers and implausible responses, ensuring that the survey responses used for analysis are of high quality.*" There is little value in excluding any outlier from the analysis, depending upon what is being reported. Any company that may have a relatively dominant affect is (of course) not representative of other companies but it does contribute to the economy and should possibly only be included in tables with a weight factor of 1. It is also not necessarily justifiable to remove '*implausible responses'* although that depends on the definition of implausible -something should not be excluded just because it is different!

In summary Better Statistics do not consider that the Guide provides sufficient evidence to justify the conclusion that "*..the DMP data are broadly representative of the wider business population even on an unweighted basis.*"

I am sorry that we are unable to be more enthusiastic about the Panel output, although we respect the design adopted, including division of the panel into three subsets to reduce the work load on respondents. But our primary concern is with the inherent bias induced by relying primarily on self-completion, which ensures a higher response rate from those with more time than may be available to businesses in difficulties. Possibly that bias is evidenced by the response data by Region? As mentioned on the **BSC website** we have had considerable experience of the design and execution of similar work both in the UK and overseas on behalf of such companies as IBM and Xerox and we would be happy to discuss the matter further with you should you wish.

With all good wishes,

Tony
On behalf of Better Statistics CIC

Appendix: Selected charts from the DMP User Guide

Figure 6: DMP sample by industry (average from 2017 to 2023)

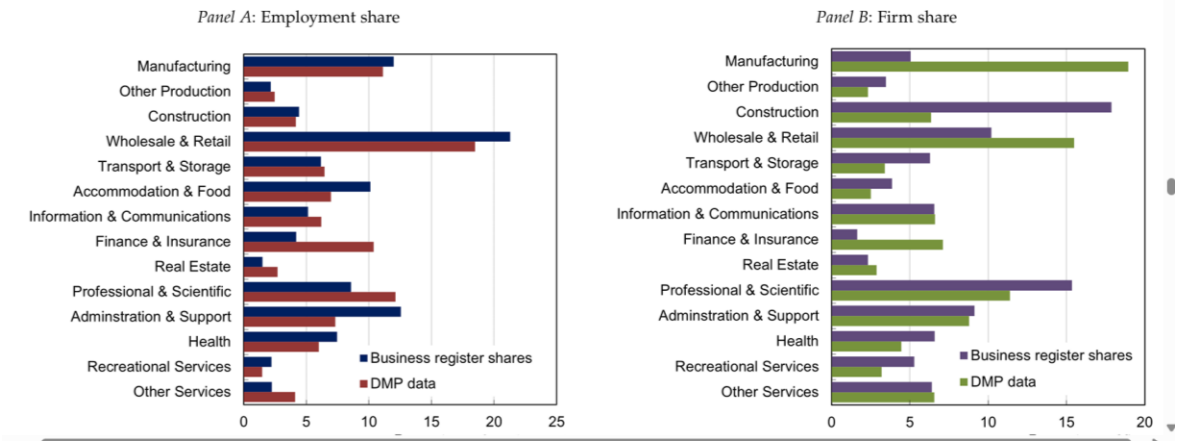
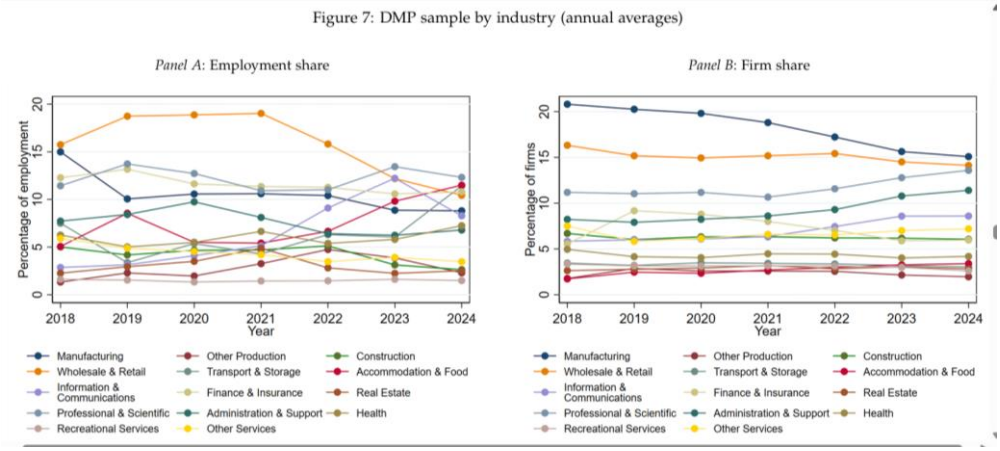


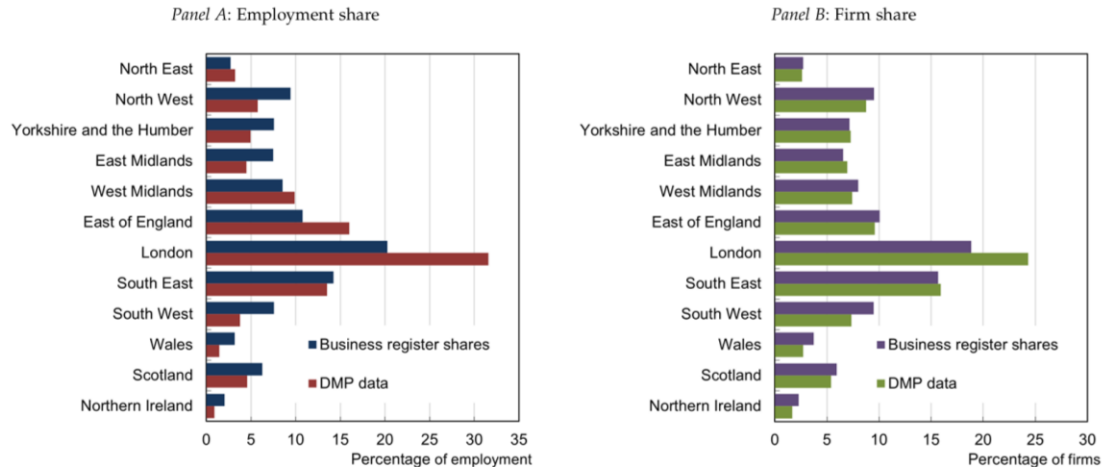
Figure 7: DMP sample by industry (annual averages)



"*To construct the weights, respondents are divided by industry (14 industries10) and firm size (two size categories11) into the 28 groups used in creating the sample*. "

This process does reduce any effect of the decline in employees in wholesale and retail which is probably due to the loss of one or two larger businesses in the sector.

Figure 8: DMP sample by region (average from 2017 to 2023)



However the process as defined would provide a London Bias in the results of the DMP which really cannot be healthy for decisions that effect the whole of the UK.

Figure 9: DMP sample by region (annual averages)

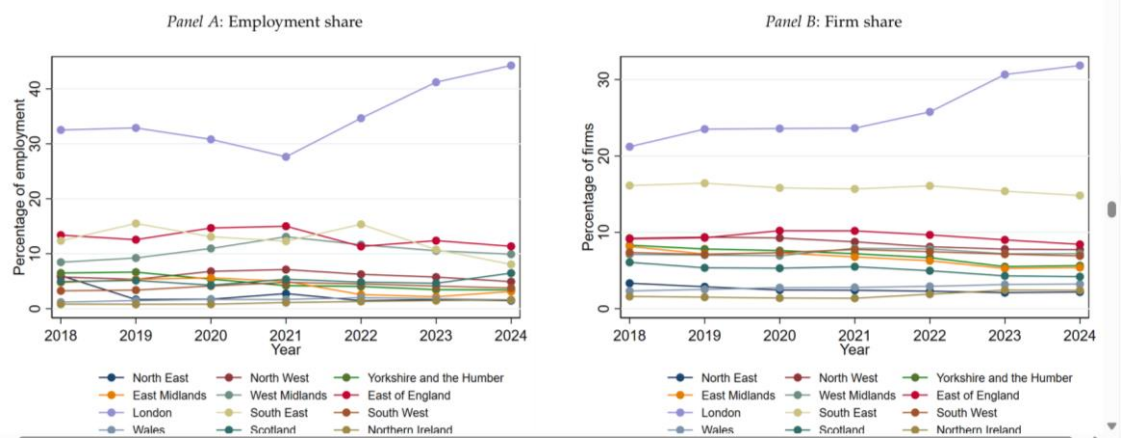


Figure 10: DMP sample by firm size (average from 2017 to 2023)

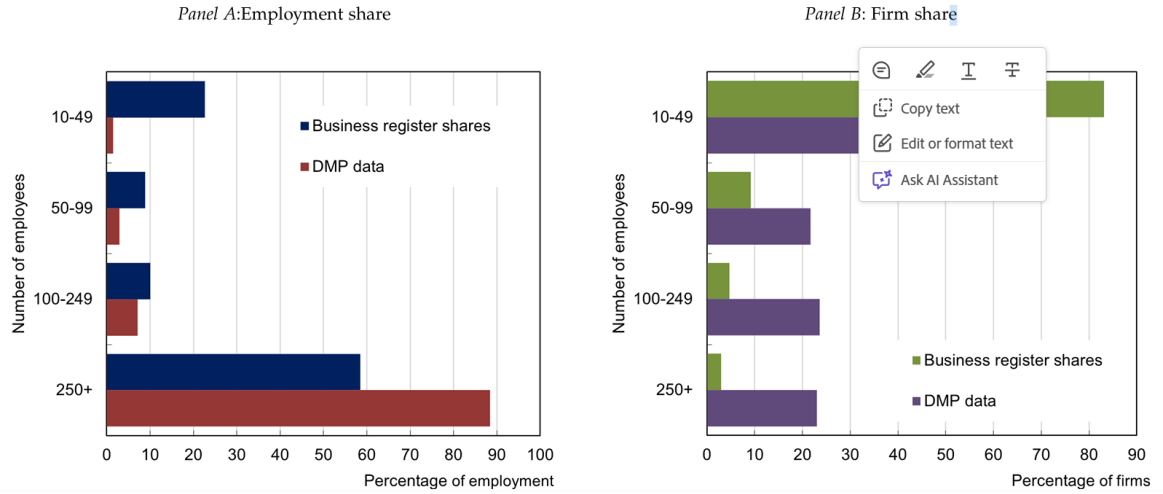
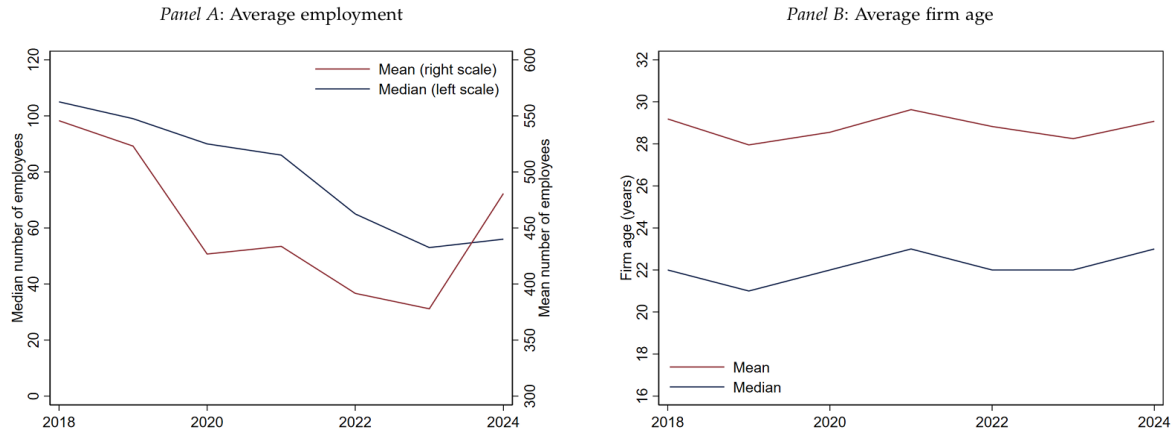


Figure 11: Characteristics of firms who respond to the DMP survey



Notes: DMP data for all firms who responded in each year. Data are unweighted.

The weighting procedure does ensure that the recently recruited large company, affecting the change in average employment as shown in Figure 11, does not heavily influence the results. But, the difficulty is that the use of equal probabilities within the 28 cells, with each of the cell sizes determined by numbers of employees, reduces the potential variance from wave to wave, and this may be concealing genuine changes over time.