

## **STATISTICAL NOTICE TO TABLE 1.01.07 UKDS 2013**

### **SUBJECT: IMPROVEMENTS TO METHODOLOGY FOR PRODUCING ESTIMATED DEFENCE EXPENDITURE OUTTURN IN THE UK BY INDUSTRY GROUP**

#### **Issue**

A recent review of the methodology for producing these estimates has resulted in a presentational break in series for FY 2011/12. The quality of the data underpinning this analysis has improved in recent years. This has enabled Defence Economics to develop a data driven analysis for specific parts of the methodology, where previously manual intervention was required.

#### **Identifying UK Spend**

In previous years, contracts have been identified as being 'UK' or 'overseas', based on a complex set of manual interventions and judgement decisions designed to identify where majority of the work related to a contract was undertaken. Expenditure against a given contract was deemed to be entirely 'UK' based or entirely 'overseas' based. This year, improved underlying administrative data from MOD systems has enabled expenditure on each HQ contract to be more closely aligned proportionally to UK and overseas locations.

#### **Assigning Equipment Resource Accounting Codes (RAC) Expenditure to Standard Industrial Classification (SIC) Groups**

There is an ongoing effort to improve the quality and coverage of SIC group information, through a rolling cleansing exercise and education of commercial officers. As a consequence it has been judged that automatic assignment of RACs to SIC groups now yields more accurate results than the method of manual intervention previously employed.

The impact of this change has been to increase the estimate of expenditure for the Financial Services industrial grouping, and decrease the estimates of expenditure for the Shipbuilding & Repairing, Aircraft & Spacecraft, Electronics, Precision Instruments and Other Manufacturing groupings.

#### **Assigning Non-Equipment RAC Expenditure to SIC Groups**

The improvements to the contracts data cited above have also allowed the automated apportionment of RACs to SIC groups in the Non-Equipment element of the estimates, based on current data rather than a large majority being manually allocated to SIC groups.

The impact of this change has been to increase the estimate of spending on Hotels, Catering & Restaurants, Telecommunications and Financial Services, but decrease spending on Other Manufacturing industrial groupings.

#### **NATO Eurofighter and Tornado Management Agency (NETMA)<sup>1</sup>**

Overall expenditure with NETMA has previously been estimated based on ADS<sup>2</sup> survey data. This is a legacy process which ensured that estimates of expenditure with UK industry were consistent

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<sup>1</sup> NATO Eurofighter and Tornado Management Agency (NETMA) is the international management agencies of the Tornado and Eurofighter programmes. This NATO agency is essentially a multi-nation HQ project office for these two collaborative projects involving the UK, Germany, Italy and Spain. In the UK, Eurofighter is now called 'Typhoon'.

<sup>2</sup> ADS is a Trade Organisation for companies operating in the UK Aerospace, Defence, Security and Space sectors.

with estimates of Defence export deliveries and employment resulting from Defence exports, which were previously published alongside these estimates<sup>3</sup>. Since MOD no longer publishes these other estimates we now place greater importance on maintaining consistency with our own Accounts. Therefore, we have moved to using MOD contract expenditure as the basis for these estimates.

### **Next Steps**

A bulletin containing a full discussion of the changes outlined above will be provided during the latter part of 2013.

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<sup>3</sup> See [DASA Defence Statistics Bulletin No.5](#).