Industry-to-industry monthly payments, UK QMI

Quality and Methodology Information for UK industry-to-industry monthly payments, detailing the strengths and limitations of the data, and the methods used.

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1 . Output information

- National Statistic: no

- Data collection: administrative data from a third party

- Frequency: recurring, to be confirmed

- How compiled: based on third party data

- Geographic coverage: UK

- Related publications: Industry-to-industry payment flows, UK: 2016 to 2023, experimental data and insights; UK industry-to-industry monthly payments, non-seasonally adjusted

2 . About this Quality and Methodology Information report

This Quality and Methodology Information report contains information on the quality characteristics of the data (including the European Statistical System's five dimensions of quality) as well as the methods used to create it.

The information in this report will help you to:

- understand the strengths and limitations of the data

- learn about existing uses and users of the data

- understand the methods used to create the data

- help you to decide suitable uses for the data

- reduce the risk of misusing data

3 . Important points

- This is an experimental dataset where work is in progress to improve sample size, data quality, industry classification, and where possible, introduce regional breakdown.

- Monthly payments between UK industries are derived from an unweighted sample of anonymised and aggregated Bacs Direct Debit and Direct Credit payments between approximately 117,000 organisations known as Bacs Service Users; this sample is not exhaustive of all Bacs payments but captures about 24% (£1.2 trillion) of all Bacs payments' value in 2022.

4 . Overview of Bacs payments data

In the UK, payments between individuals and organisations can be made using one of the following methods: cash, cheques, payment cards, and interbank transfers.

Interbank transfers can take place via one of the three UK payment systems, which cater for different transaction needs. The first system is the Bacs Payment System, which processes Bacs Direct Credits, widely used to pay salaries, benefits, dividends and supplier payments directly into bank accounts, and Direct Debits, which automate the collection of regular payments such as utilities and other bills. The second system is the Faster Payment System (FPS), which facilitates real-time payments between UK bank accounts up to a certain limit. The third system is the Clearing House Automated Payment System (CHAPS), which is the sterling high-value payments system operated by the Bank of England.

Many transactions between businesses and organisations take place over the Bacs and FPS because of the services they offer relative to other payment methods.

The Office for National Statistics (ONS) is collaborating with our partners at Pay.UK and Vocalink, respectively the operator of and infrastructure provider to the UK's retail interbank payment systems including Bacs and FPS, to develop experimental economic indicators using payment systems data. The Direct Debit indicators developed as part of the collaboration are already published regularly in our Economic activity and social change in the UK, real-time indicators bulletin.

This experimental dataset on industry-to-industry payment flows within the UK is compiled using a sample of anonymised and aggregated Bacs Direct Debit and Direct Credit payments data provided to the ONS. The main innovations of this indicator are the presence of both source and destination industries in the payments made, and its monthly data time series covering January 2016 to October 2023.

The current sample consists of payments within the UK between approximately 117,000 known organisations referred to as Bacs Service Users, who are companies, groups of companies, charities and governmental organisations that are registered to use Bacs services for the clearing and settling of Direct Debits and Direct Credits. This means that payments involving overseas accounts, personal accounts and accounts of organisations that are not Bacs Service Users are excluded. This sample is not exhaustive of all Bacs payments but captures about 24% (£1.2 trillion) of all Bacs payments value in 2022.

5 . Quality summary

Overview

This experimental dataset on industry-to-industry payment flows within the UK is compiled using a sample of payments within the UK between approximately 117,000 Bacs Service Users between 2016 and 2023. This sample is not exhaustive of all Bacs payments, but captures about 24% (£1.2 trillion) of all Bacs payments value in 2022.

Industry classification for Bacs Service Users is derived within Vocalink using a combination of deterministic and probabilistic approaches matching Bacs Service Users' names to Companies House and other information. The industry codes presented in the data are consistent with the current [UK Standard Industrial Classification (SIC 2007)](#), except for the code 00, which represents Bacs Service Users that are not yet assigned to an industry or have an invalid industry code under the current classification method. In the current version of the experimental data, payments are aggregated to the two-digit SIC (SIC2) level, or groups of SIC2 industries in instances where that would help with passing statistical disclosure control. Subject to successful data development, future release of the data may include further industry granularity.

It is possible that "headquarter effects" exist in the data, whereby payments involving an enterprise are all captured under the industry classification of its headquarter, that is, a registered Bacs Service User, even if some payments might belong to smaller business units operating in a different industry. Currently, we are unable to redistribute payments flows to a Bacs Service User across the industries of its composite business units.

The observed flow of funds between industries is affected by the possibility of accessing Bacs Direct Debit and Direct Credit directly (becoming a Bacs Service User) and indirectly (using Bacs Approved Bureaux or facilities management). In the latter case, the payment flows would be attributed to the intermediaries rather than directly between the organisations trying to pay or receive funds. This point extends to the financial industry as a whole, whose intermediation role generally involves receiving payments from organisations as repayments for advancement of payments on their behalf to others.

Some observed payments would be for capital expenditure or transfers (such as tax, subsidy, benefits, and so on) rather than intermediate and final consumption. Currently, we are unable to distinguish different types of payments.

As part of our data development project with Pay.UK and Vocalink, over the next 12 months we aim to improve the quality of the experimental data by, where possible:

- increasing the sample size to include all Bacs payments between organisations (that is, not just Bacs Service Users) and adding Faster Payment System (FPS) transactions

- improving the current industry classification algorithm

- developing regional breakdown

As a result, figures in the experimental dataset are subject to revision and future releases may differ from the current version.

Strengths and limitations

The main strengths of the dataset include:

- the data contain monthly information on industry-to-industry payments for a sizeable timeframe (January 2016 to October 2023)

- Bacs payments data used to compile this experimental industry-to-industry dataset are much more timely than traditional data sources used to compile similar information in Input-Output tables and provide close to real-time insights into the UK supply chain

- payment systems data have very high coverage of industry-to-industry payments in the economy and much higher than what is achievable with survey data sources

- information on the value and number of transactions are fully accurate as they are digital footprint by-products from very mature and reliable payment systems

The main limitations of the current dataset include:

- payments between industries can take place via multiple payment methods so even when the dataset is fully developed, it would not capture the universe of payments between industries

- the current version of the data is compiled using a sample of payments between registered Bacs Service Users, which are likely to be larger businesses and organisations; as such, the current sample is unlikely to be representative of all UK industry-to-industry payments and in particular may not capture well the payments by small organisations

- it is possible that industry misclassification exists in the data and a proportion of the payment flow is attributed to an "unknown" industry

- industry code might refer to headquarter activity of an enterprise rather than its business operational units, generating a "headquarter effect"

- currently unable to distinguish intermediated payments that involve an intermediary

- payments between organisations might capture the impact of economic events with some delay because of the nature of invoicing

- trends should be interpreted with caution as currently the dataset is not seasonally adjusted and payment values are not adjusted for price increases over time

- long-term trends may also be impacted by changes in payment methods preferences, for example, Bacs payments may be preferred over cash and cheques over time

6 . Concepts and definitions

Bacs service

The service administered by Bacs relating to the automated clearing and settlement of Direct Debit and Bacs Direct Credit between Bacs Payment System participants.

Bacs Service User

A company, group of companies, charity, and so on, that uses one or more Bacs services. Organisations that become a Bacs Service User can collect Direct Debits directly themselves, or they may choose to use a third party (a Bacs Approved Bureau or a facilities management (FM) provider) to do so on their behalf. For an organisation to be permitted to collect Direct Debits directly themselves they must undergo a set of checks and respect certain rules.

Bacs Direct Debit

Bacs Direct Debit allows organisations to electronically collect payments from their customers (both business customers and consumers) directly from their payment service provider (PSP) account for agreed amounts and on agreed dates.

Bacs Direct Credit

Bacs Direct Credit allows organisations to make payments by electronic transfer directly into payment services provider (PSP) accounts. Organisations can make direct credit payments via: direct access (submitting the data themselves); indirect access (via a Bacs Approved Bureau).

Bacs Approved Bureau

A commercial bureau awarded approved status by Bacs to collect or make payments on behalf of other organisations.

Facilities management

In the context of the Direct Debit Scheme, a service user (FM provider) or bureau that takes responsibility for the collection or administration of Direct Debits on behalf of another business that may not be a Bacs Service User in its own right (FM client).

Faster Payment System (FPS)

FPS is a payment system that allows for payments of up to £1,000,000, and can be used for individual payments, standing orders, forwarded dated payments and direct corporate access payments.

Payments service provider

An institution which offers payment services to customers, whether they are businesses or retail consumers, such as banks and building societies.

7 . Methods used to produce the UK industry-to-industry monthly payments, non-seasonally adjusted data

How we collect the data, main data sources and accuracy

Bacs payments data are collected and processed by Vocalink on behalf of Pay.UK. Before the data are provided to the Office for National Statistics (ONS), they are aggregated and anonymised in Vocalink, with rigorous statistical disclosure control and suppression applied to ensure individual organisations and transactions cannot be identified.

Information on the value and number of payments in the original Bacs data is fully accurate, as it is based on digital footprint data from a highly mature and stable payment system, but derived information such as industry classification may be less accurate.

8 . Cite this methodology

Office for National Statistics (ONS), released 6 December 2023, ONS website, methodology, Industry-to-industry monthly payments, UK Quality and Methodology Information