

Article

Gross operating surplus for private non-financial corporations, current and upcoming work: August 2024 update

Summary of plans to develop user understanding and ensure the quality of gross operating surplus for private non-financial corporations (PNFC GOS) statistics.

Contact:
Private Non-financial
Corporations (PNFCs) team
profitability@ons.gov.uk
+44 1329 444875

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1 . Overview

In January 2024, we published the first in our series of [current and upcoming work articles](#) relating to the quality and communication of gross operating surplus (GOS) and profitability of private non-financial corporations (PNFC) statistics. This was in response to the Office for Statistics Regulation's (OSR's) [Spotlight on quality assessment report](#), which outlined five requirements to improve the communication and resilience of PNFC GOS and profitability estimates for 2024.

This article outlines our progress towards the first three of these requirements. We will address our progress towards the remaining two requirements in a follow-up to this article, publishing in late 2024.

2 . Our current position

Data source review

The Office for Statistics Regulation (OSR's) first requirement asks that we ensure that we have "a good understanding of the quality of the data used to produce the statistics and focus on establishing good relationships with data suppliers". It also asks that we "communicate to users" our "findings on the quality of the data sources and publish these".

To address this requirement, we have undertaken a review of the gross operating surplus for private non-financial corporations (PNFC GOS) data sources, in collaboration with colleagues from our Quality and Improvement division, using the OSR's [Quality assurance of administrative data \(QAAD\) guidance](#). The review focused on our knowledge of the data sources and the data providers' knowledge of our needs, to gauge appropriateness and ensure business continuity. We also assessed our methods for producing and quality assuring the data.

The largest data sources used in PNFC GOS statistics are:

- HM Revenue and Customs (HMRC) corporation tax trading profits data
- self-assessment income data and estimates of holding gains (a gain in value that is generated by retaining ownership of an asset over time)

Estimates of holding gains are mostly derived from our [Quarterly Stocks Survey](#). We have judged these sources to be appropriate and have developed close working relationships with data suppliers.

However, we have also identified risks relating to our understanding and use of these specific data:

- gas and oil prices and trends from the Department for Energy Security and Net Zero (DESNZ)
- income and expenditure data for UK Continental Shelf companies from the North Sea Transition Authority (NSTA)

As we take data directly from NSTA and DESNZ publications, these providers may not have been aware of how their data are being used. We have recently contacted these organisations to gather specific information about data quality, and to improve mutual understanding of our needs.

Ensuring regular contact with suppliers

The OSR's second requirement asks us to "ensure that production processes facilitate sufficient interaction and information sharing on source data quality" so that we can identify how we "can accommodate changes, such as incorporating new data sources".

We have met with all suppliers of data internal to the ONS, some of whom receive data from other government departments before processing and passing it on for use in PNFC GOS and profitability statistics. These meetings enabled us to update our knowledge of data sources, quality assurance processes and plans for business continuity and impact, should the supply of data be interrupted. We have agreed that certain data providers, such as those supplying GOS self-assessment and holding gains data, will provide extra written insight into quarterly data changes, in the future. This will help us understand and communicate the context and uncertainty around the data in more detail than the current process and forums allow.

In May, following discussions with HMRC earlier in the year, we received HMRC estimates of corporate profits derived from corporation tax receipts data, which we aim to use to improve our quarterly estimates in the future. We usually receive HMRC trading profits data with a lag of approximately two years, because of the time given to companies to report profits and for returns to be processed. Trading profits data are derived from corporation tax liabilities (the total tax owed by a company for a given period, which allows us to definitively derive profits).

HMRC have demonstrated that the corporation tax receipts data are strongly correlated with corporation tax liabilities data, despite being incomplete. The provision of profits estimates based on receipts will provide us with a valuable anecdotal source to sense check quarterly growth rates and inform balancing adjustments. This will reduce the quality impact of the two-year lag.

Clarification of uncertainty in PNFC GOS and profitability statistics

The OSR's third requirement asks that we "better document quality information and communicate to users". This documentation process should include "methods and data sources used; any limitations and uncertainties in the statistics; and quantification and explanation of revisions".

A full list of data sources used in the production of PNFC GOS and profitability estimates will be published as a result of our data sources review later this year in our [Profitability of UK companies quality and methodology information \(QMI\)](#), alongside the next edition of our [Profitability of UK companies bulletin](#). Our QMI will include assessments of the contribution made by each data source to our estimates, which will enable an assessment of uncertainty.

Additionally, we will publish an analysis of our revisions to historic estimates, and the balancing adjustments applied to estimates. Balancing adjustments are important for assessing the uncertainty around estimates. Once calculated, PNFC GOS statistics, as with all components of gross domestic product (GDP), are subject to balancing adjustments before publication. Using these adjustments, we aim to reconcile the GOS estimates with other income, expenditure and production components, when estimating GDP.

More information about balancing adjustments and PNFC GOS statistics can be read in our previous [Current and upcoming work article](#), published in January 2024.

A detailed explanation of the balancing process for GDP is available in our [GDP QMI](#).

Similarly, revisions to previously published estimates are important for assessing uncertainty around PNFC GOS and profitability estimates. With each publication of data, previously published estimates can be subject to revisions, as more up-to-date data and methods become available.

An analysis of the size and direction of balancing adjustments and revisions to PNFC GOS will form a section of our next [Profitability of UK companies bulletin](#), publishing later this year. This will aim to contextualise our adjustments and revisions process and allow for an assessment of quality and uncertainty in a more open and accessible way.

3 . Provide feedback

We are committed to providing analysis and insight on gross operating surplus (GOS) and profitability for private non-financial corporations (PNFC) in the UK, to inform users of important trends. We will review our workplans regularly and are keen to hear from users of our data to understand your requirements and help us develop our statistics further.

If you have any feedback or suggestions on our work on PNFC GOS and profitability, please contact us at profitability@ons.gov.uk.