

Its time for the GERS debate to move on: everyone with ...

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I have already [noted my submission](#) of evidence to the [Economy, Jobs and Fair Work Committee of the Scottish Parliament](#) on the quality of Scottish Economic Data. Given that I will be appearing before the committee I have now, at least briefly, [read all the other submissions](#). Some I will ignore, not because they are not interesting but because they do not touch on the issues in which I am interested but focus instead on local economic data in Scotland. Another, from [Common Weal](#), I will; look at separately because it is so distinct from all the others. My concern here focuses on GERS ([Government Expenditure and Revenue Scotland](#)) data, as did my own submission. In this respect the most important submissions in my opinion are those of Margaret Cuthbert, The Fraser of Allander Institute, The Scottish Fiscal Commission and 4-Consulting, who advised the committee. I apologise to those omitted: there is not time to review them all here.

Margaret Cuthbert provides, to me, [the most amusing submission](#), and in some ways the most telling. She says in her summary of that submission:

Despite the appalling and verging on ignorant comment by Richard Marsh in the Sunday Herald that “GERS data is what I technically describe as crap”, GERS data continues to improve. The original quality of the data was comprehensively examined line by line in 1977 and thereafter statisticians in the Scottish Government have made considerable efforts with UK departments to work with them and obtain reliable estimates for Scotland.

In a strange way she makes my case for me. First, the review was in 2007: GERS did not exist in 1977. Second, I made the comment about 'crap' (which I carefully defined as 'completely rubbish approximations') that she says is ignorant . Richard Marsh is director of 4-Consulting. Marsh is a 'crap' (completely rubbish approximation) to Murphy, just as 1977 is to 2007. I am aware, of course, that it could be said that I am nitpicking in saying so, but I am doing so for a reason. The evidence is clear that approximations will not always do. They no more than inadvertently undermine what Margaret Cuthbert has to say here; they massively undermine GERS for reasons [I have already explained](#).

Nor am I in the slightest bit apologetic for using the term crap, to which Margaret (who I have never met) takes offence, I suspect on the grounds that she has been invested in the GERS process. I used it to highlight an issue to draw political and public attention to the significance of a concern that requires the focus of the parliament and the Scottish media. If by doing so the issue got more attention - and the comment reached the front page of the Sunday Herald - I call that a success. I have been involved in the process of seeking change on dry technical issues for a long time. The comment was not ignorant or appalling: it served a purpose and I am unapologetic for that. Sometimes effecting change requires a lack of subtlety: that's the nature of political economics.

What is more it is a purpose Margaret Cuthbert clearly supports. [As she says in her submission:](#)

However, it is time to assess what the Scottish Parliament needs as its powers continue to grow. This is particularly the case as the fiscal settlement holds many ill-advised conditions that will now face Scotland.

The first problem is the publication of data by NDPBs and their offshoots where it is nigh on impossible to find out how the data given are derived. What checks are being made by the relevant central government departments on the quality of the data and its definitional fit with main government statistical data regarding the economy?

Second, there are departments within the Scottish government that produce statistics where it is difficult to understand what the statistics actually mean, where it is difficult to get a handle from the staff themselves on the meaning of the data, and it is therefore wide open for reporters and non-government researchers to get the wrong picture.

Third, there are departments and NDPBs which produce statistics that are equivalent to their turning a handle year after year, and where the statistics given shine no light on the performance of Scotland, particularly with relation to where the government says it wants to be going.

Fourth, and possibly due to policy groups within government, the frontline publications covering economic matters have tended to become glossies showing how well the government is doing.

And, finally, there is the personal experience that statistics collected, collated and analysed do not appear to be given due importance when the policy makers set to and devise their policies. It is difficult to find mention in the published policy documents of detail of how, in describing the creation of new policies and their implementation, the policy people have been using statistics to help define their policy, or how they are going to collect and publish statistics to monitor and evaluate their policies.

The role of both economics and statistics in the Scottish Government needs to be

substantially extended. There is a need for a strong central statistics unit that is capable of fighting its corner for resources and relevant place in the decision making of policy, and the necessary schedule of monitoring and evaluation.

What can I say? We seem to be singing from the same hymn sheet, especially given the comments in my own submission, [noted here](#). I'd almost say that, despite her comment about me, we're in harmony in saying that the data is just not good enough, because her evidence is that it clearly is not. She also agrees with [Common Weal](#) on the need for a statistics unit, which I endorse.

Let me move to the [Fraser of Allander](#) Institute then. They say:

Significant progress has been made since devolution to improve the coverage and quality of economic statistics in Scotland. Scotland is much better served than the other devolved nations (and English regions) in terms of economic statistics. However, there is work still to be done. In particular —

i,· There are a number of gaps — for example, we lack robust statistics on things like Gross National Income, capital investment, inter-regional trade and prices that independent governments would routinely collect.

ii,· Some of the data that underpin core elements of Scottish economic statistics rely upon apportionment of UK figures rather than bottom-up Scottish-specific data. Whilst this is understandable given resource constraints, more be-spoke estimates would be beneficial.

iii,· Like the UK as a whole, there remain ongoing challenges in sampling and response rates to surveys. Some response rates — e.g. the Labour Force — are falling whilst for others — e.g. the Living Cost and Food Survey — the sample size for Scotland is small.

The Scottish Government should be commended for investing in a distinctly 'Scottish' economic statistics unit in government. Further investment would be welcome however, particularly in the light of the new economic and fiscal powers coming to Holyrood.

New investment on its own will not deliver the step-change that many people would like to see. For this, other reforms — for example around how UK businesses report their activities — would be needed. At the same time, as ONS continue to make better use of administrative data it is important that data sharing and access arrangements are established to enable the Scottish Government to also benefit from these reforms.

Let's be clear about this. What the FAI is saying is that there are serious gaps in Scottish economic data, and what data there is may not be Scottish data at all, but apportionments of unknown quality from the UK, whilst many of the estimates used may be unreliable because of small sample sizes. I hate to suggest that they're agreeing with what I said, but candidly I cannot see that any other conclusion can be

reached. And they do in fact imply support for many of the recommendations I make [in my submission](#) on improving data capture: I just spell it out in detail and they do not.

I also think it important to note just what the FAI say really is missing:

That being said, there are a number of important gaps.

i,· Gross National Income (GNI) — is arguably a preferable measure of economic prosperity than GDP. This has only been produced once — on an experimental basis — for Scotland. GNI is particularly difficult to measure and will require a much better understanding of how income is produced and distributed across the Scottish economy. Data on financial flows in and out of Scotland are largely unknown. We have for example, despite its importance in the policy landscape, very little in the way of robust data on international investment (FDI) to Scotland.

i,· Prices — there are no separate price indices for Scotland. This is a limitation in compiling real-terms series such as trends in earnings, poverty or changes in government budgets.

i,· Imports — there are only limited official estimates of imports to Scotland from overseas or the UK. In the National Accounts, rather than being measured directly they are estimated as a balancing (residual) item. i,· Capital investment — there is little in the way of data on investment for Scotland either in the aggregate or by sector.

i,· Treatment of the North Sea — the Scottish Government has invested significantly to improve its coverage of the North Sea. This has included more robust estimates of the share of revenues raised from the profits of offshore oil and gas operators, output, investment and exports. However, much less is known about the linkages between the onshore and offshore Scottish economies.

i,· Longitudinal data — there is very limited data on a longitudinal basis of Scottish households — particularly in terms of issues like income, wealth and spending

If I might be blunt, what that really admits is that much of the key data required to appraise the macroeconomy of Scotland simply does not exist. And to go back [to my very first comment on GERS](#), in March this year, that cannot be by chance: someone in London decided not to supply that information. We again seem to be in remarkable agreement.

So what about the Scottish Fiscal Commission? From April 2017 the Scottish Fiscal Commission has been responsible for producing the independent and official economic and fiscal forecasts for Scotland that will support Parliament's Budget process. [They say:](#)

i,· In general, the statistics available for Scotland are more comprehensive than available in other countries and regions of the UK and this is to be welcomed.

i. We accept that the depth and breadth of available economic statistics are to some extent limited by the surveys that are conducted in Scotland on both the household and business side. These surveys could be expanded, or the way data is collected could be changed, but this is an expensive and long-term ambition, and may have implications for burden on businesses.

ii. Given the information that is available, and accepting the uncertainty inherent in it, the Commission strongly encourages the Scottish Government to produce more information in certain instances which would support the Commission's activities.

iii. We believe more could also be gained by considering statistics that could be published by the ONS based on existing surveys, and again this is something the Scottish Government should be pursuing.

iv. The Scottish Government should also seek to access administrative data, such as that held by HMRC, to ensure that the statistics produced are the best quality possible given the limitations on the survey data collected.

To the first comment, I admit I just despair of the data available elsewhere. To the others, yet again it seems that the points I have made are agreed: there are poor approximations, limited surveys and limited data access available to support what information Scotland gets. I hate to say that the result might be what I define as 'crap', but I think that possible.

And so [to 4-Consulting](#). They say in the summary to their report:

It's likely that Scottish Government statisticians would describe themselves as more opportunistic, but relatively powerless, statistical scavengers. It is important that Scotland takes up the challenge laid down by the Bean Review and looks at new approaches to develop the next generation of economic statistics.

Do I need add more?

In summary, I inadvertently joined this debate and seem to have helped fuel it since doing so. I do not regret that fact, if it is true. During it I have been subject to considerable criticism. That seems to be continuing, as noted above. [Back in March in my first comment on this issue](#) I made these points on Scottish economic data:

Why might the data be misstated? First, there simply isn't enough data to reliably estimate Scottish GDP. We have no figures for where sales take place in the UK, for example. VAT returns are an utterly unreliable source for this: a UK company does not submit data separately on sales in Scotland from elsewhere. The same is largely true on spending. So forget Scottish GDP data: we just don't know what it is.

Then there are tax revenues. That VAT point still stands. And the truth is Scottish Revenue are struggling to be sure who is resident in Scotland whilst on corporation tax

there is no way of knowing where revenues are earned at present. And so on.

So we come to spending. The allocation of government spending to Scotland will be arbitrary: how much defence should it pay, for example? Or interest? The arbitrary areas will be too great for this number to really be reliable.

In which case what of Scottish imports and exports? Let's be blunt: no one has a clue what crosses the borders from Scotland to England and Northern Ireland. These numbers are literally made up in that case.

So two further issues, both serious. One is Westminster could pretty much manipulate this data at will. And two, nothing will be the same if Scotland leaves: a government of an independent Scotland will have a very different structure to that imposed now.

My point? Simply this: if there is to be meaningful debate on this issue then the SNP have a lot of work to do to produce best possible data.

The reference to the SNP is as the government as well as the party. What I can say now is that the submissions made to this committee suggest that I was right to make those comments in March and that, as I said then, a lot more work is needed to produce reliable data. I trust that those who have said otherwise (who did not seem keen to submit evidence, I note, despite having the opportunity to do so) will now rest their case. Let's move on and discuss what might be done about it, [as I did in my submission.](#)