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The politicisation of data will cost economies dearly

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Credible economic data is like oxygen – it's always taken for granted but you sure miss it when it's gone. Likewise, when data is accurate, transparent and trustworthy, it enables governments to plan effectively, businesses to invest wisely, and citizens to hold leaders to account. But what happens when we can no longer trust the numbers?

Well, economic models and forecasts become guesswork, planning becomes impossible, and resources are misallocated. After all, the difference between a well-targeted policy and a disastrous one often lies in the quality of the underlying data.

While some margin of error is inevitable in a fast-changing world, and publishing accurate statistics is hard (thankless) work, we expect those errors to be free from bias or political interference. That is what makes President Donald Trump's recent attack on the US Bureau of Labour Statistics (BLS) so shocking.

In August, he dismissed BLS commissioner Erika McEntarfer after the release of what he termed "rigged" employment data. This was after the BLS reported that the US economy added fewer jobs in July than had been expected and downwardly revised the previous month's figures.

These routine revisions to preliminary monthly data presumably caught Trump's attention because they were bigger than usual, but this may be because they were signifying a turning point in the labour market. However, such technical nuances were clearly lost on Trump.

The politicisation of the BLS not only threatens the institution's credibility but also undermines US monetary policymaking given that labour market data is a crucial input into monetary policy decisions. So, it's not an exaggeration to say that undermining trust in this data risks far more than the president's approval ratings; it jeopardises the foundation upon which many investment decisions are made.

Of course, the US is not the only culprit. For years, China's economic data has been treated with scepticism as the country's growth numbers rarely fall short of Beijing's official targets. A striking example of statistical manipulation came in 2023, when China's

government suspended the release of the country's youth unemployment data after it hit a record 21.3%.

When publication resumed months later, the unemployment rate appeared lower because students previously included in the count had been summarily excluded. While such adjustments may help the government present a more favourable picture, they fool no-one and come at a cost – and not just in terms of lost credibility. By obscuring reality, fudging the data also makes it harder to design and target policies at the root causes of economic problems.

In the UK, direct political interference in official statistics is not a known concern, however, underfunding is. This year, the Office for National Statistics (ONS) was forced to delay or suspend several key statistical releases, including the Survey of Living Conditions, which provides crucial insights into living standards and informs social policy.

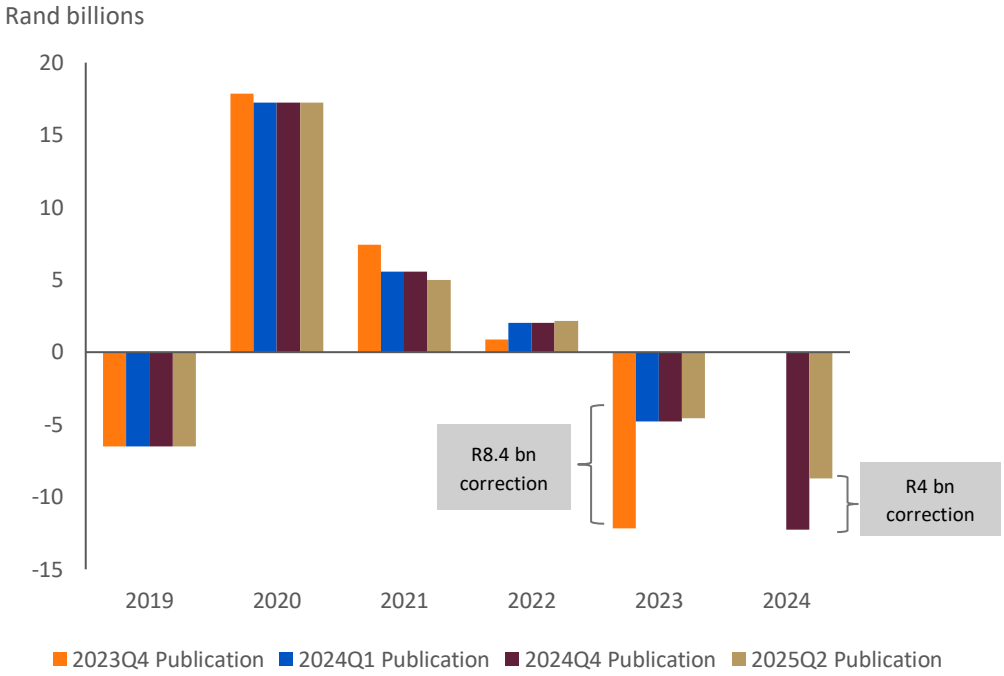
The decision was made to instead prioritise headline indicators such as GDP growth, unemployment, and inflation. But even these core datasets haven't been trouble-free. In 2023, the ONS identified serious issues with response rates to its Labour Force Survey, the primary source of unemployment figures. It is upgrading the survey, but it may not be ready until 2026 or even 2027.

This is problematic for the Bank of England, which (like the US Fed) relies on accurate employment data to guide monetary policy. So, while the ONS may not be facing undue political pressure, its case illustrates the risks inherent in failing to prioritise and protect the integrity of national statistics.

South Africa is another case in point. Here the problem is mainly one of underfunding but pointed questions have also been raised about the quality of certain agricultural statistics prepared by the department of agriculture for inclusion in Stats SA's GDP estimates.

The directorate of agricultural statistics within the department of agriculture produces solid crop estimates, but when it comes to agriculture's contribution to GDP, the data of late has been erratic and subject to wide, unexplained revisions.

Figure 1: Real agricultural GDP



Source: Stats SA; BFAP quarterly publications

The Bureau for Economic Research's (BER's) view is that the base numbers and methods being used in these calculations are deeply flawed. However, offers of private-sector support have been suppressed by the officials in charge. Responsibility for producing these estimates should be shifted from the directorate of agricultural statistics to Stats SA as the country's overall growth statistics risk being contaminated by this highly suspect data.

Stats SA has also come under fire for the 2022 Census results, which many critics deem implausible. The Post-Enumeration Survey (PES), Stats SA's key quality control mechanism, revealed that the census suffered from weak response rates with an undercount of roughly 30%, more than double the 14% recorded in 2011.

According to University of Cape Town researchers, the 2022 Census faced a host of operational and logistical challenges, partly due to Covid-19. Stats SA argues that the PES corrected these deficiencies. However, doubts about demographic and economic datasets persist. This complicates efforts to understand population dynamics and forecast GDP accurately, increasing the risk of misguided policy decisions, including the potential misallocation of resources to the provinces.

The bottom line is that governments should invest in better data-collection methods, ensure greater transparency around data revisions, and provide more robust protection for statistical agencies' independence. After all, reliable data isn't just a technical necessity it's a public good and an essential ingredient for economic stability and democratic accountability.

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