

## ECONOMY AND LABOUR MARKET

# GDP Quarterly National Accounts, Scotland

## 2018 Quarter 2

31 October 2018

This publication includes the updated second estimate of onshore GDP growth for 2018 Quarter 2, GDP in cash terms with detailed breakdowns, and key sector accounts aggregates.

### Headline results



+0.5%

Scotland's GDP grew by 0.5% in real terms during the second quarter of 2018, unrevised from the first estimate. The equivalent growth rate for the UK as a whole was 0.4%.



+1.7%

Compared to the same quarter last year, Scotland's GDP has grown by 1.7%, unrevised from the first estimate. Equivalent UK growth over the year was 1.2%.



The largest single contribution to growth this quarter came from the Business Services and Finance sector, which has seen growth revised up from 0.3% to 0.6% in the latest quarter. The Distribution, Hotels & Catering sector is unrevised, and now the second largest contributor to growth.



Using the expenditure approach, the largest contribution to GDP growth over the year has been an improvement in the onshore net trade balance, due to the value of exports increasing by more than the value of imports. As part of this, manufactured exports have increased by 6.0% in real terms compared to the same quarter last year.



Over the last year, the level of households' spending has continued to increase at a faster pace than disposable income. As a result, the household savings ratio is estimated to have fallen to 2.7% in the latest quarter, down from 3.7% at the same point last year.

## What's in the Quarterly National Accounts?

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### About the GDP Quarterly National Accounts

This publication includes the second estimate of onshore GDP growth for 2018 Quarter 2 (April-June), which uses data released since the GDP First Estimate published on 19 September. This release is consistent with the UK Quarterly National Accounts for 2018 Quarter 2.

In addition to the second estimate of onshore growth in real terms, the GDP Quarterly National Accounts also includes:

- Total GDP in cash terms for the onshore economy and the wider economy including offshore activities
- Onshore GDP in cash terms broken down using all three of the output, expenditure and income approaches
- The Index of Manufactured Exports (IME) in real terms
- Household Sector income and expenditure accounts for Scotland, including Gross Disposable Household Income (GDHI) and the Savings Ratio;
- Public sector revenues.

### Data

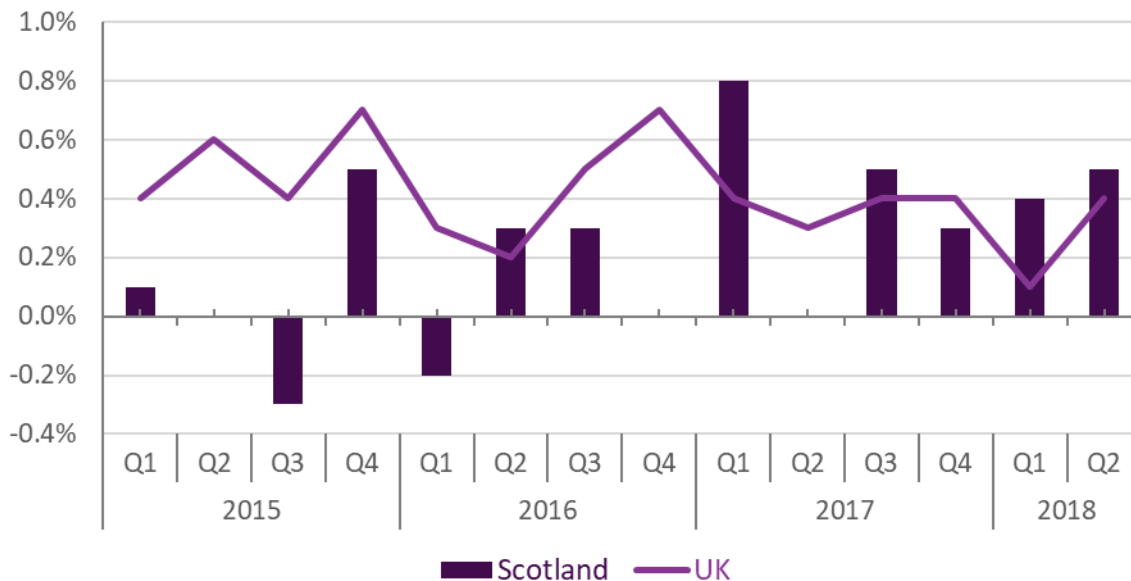
This publication includes summaries of many of the key results from the latest statistics.

Full results for all components of the Quarterly National Accounts are available in [online tables](#).

## Growth in onshore GDP – compared to the previous quarter

Scotland's GDP grew by 0.5% in real terms during the second quarter of 2018 compared to the previous quarter, unrevised from the first estimate, published on 19 September. Over the same period, total UK GDP grew by 0.4%.

### GDP growth compared to previous quarter



In the latest quarter, output in the Services sector grew by 0.5%, output in the Production sector grew by 0.3%, and output in the Construction sector grew by 1.9%.

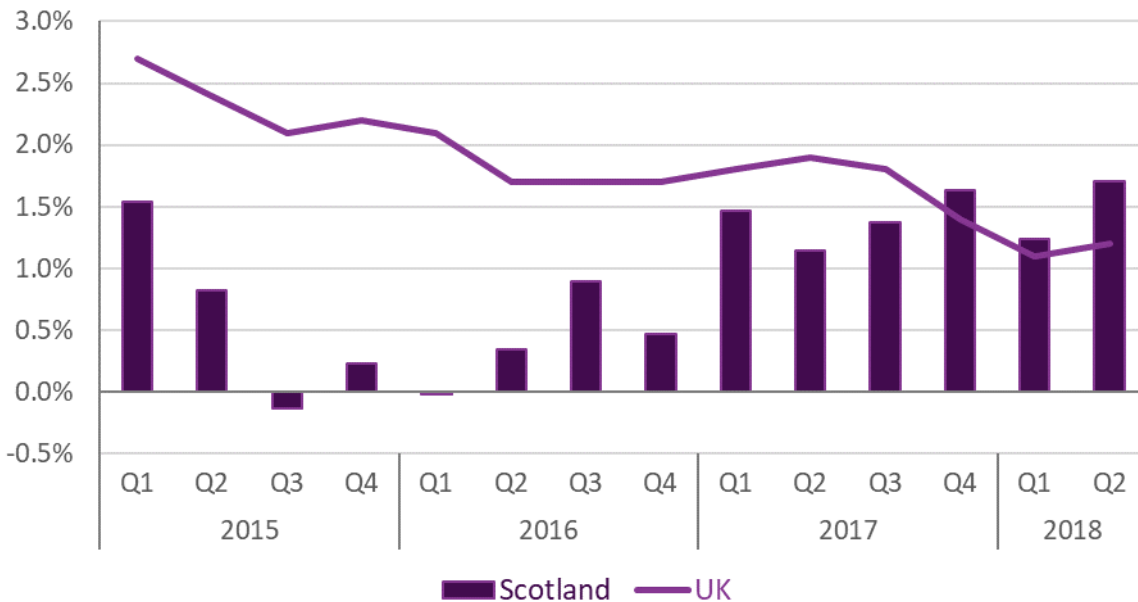
### GDP growth compared to previous quarter by sector (%)

		2017			2018	
		Q2	Q3	Q4	Q1	Q2
Real terms	Agriculture, forestry & fishing	1.2	0.0	-1.1	0.1	-1.4
	Construction	-0.4	-0.8	0.8	-2.6	1.9
	Production	-0.5	1.6	1.3	1.0	0.3
	Services	0.1	0.4	0.1	0.5	0.5
	<b>Whole economy</b>	<b>0.0</b>	<b>0.5</b>	<b>0.3</b>	<b>0.4</b>	<b>0.5</b>

Growth in onshore GDP – compared to the same quarter last year

In the second quarter of 2018, Scotland’s economy is estimated to have grown by 1.7% over the year, compared to the second quarter of 2017. This is unrevised from the first estimate. Over the same period UK GDP grew by 1.2%. The growth rate over the year is based on how much GDP has changed in total across each of the latest four quarters.

GDP growth compared to same quarter last year



Compared to the same quarter last year, Services has grown by 1.4%, Production has grown by 4.3% and Construction has decreased by 0.8%.

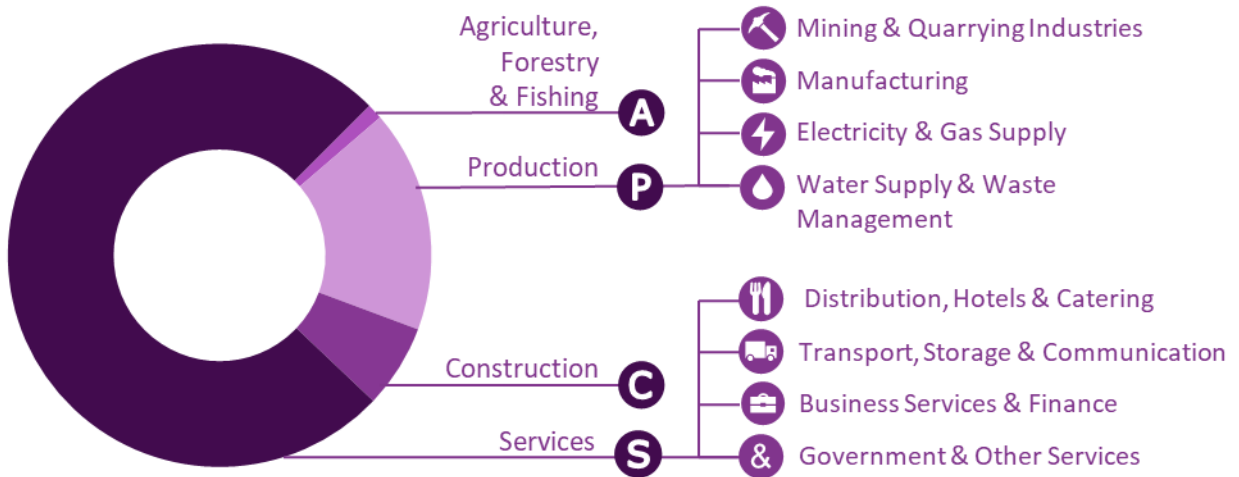
GDP growth compared to the same quarter last year, by sector (%)

		2017			2018	
		Q2	Q3	Q4	Q1	Q2
Real terms	Agriculture, forestry & fishing	6.7	4.9	1.0	0.1	-2.5
	Construction	5.5	2.9	2.2	-3.1	-0.8
	Production	0.4	3.2	4.5	3.5	4.3
	Services	0.9	0.8	1.0	1.1	1.4
	<b>Whole economy</b>	<b>1.1</b>	<b>1.4</b>	<b>1.6</b>	<b>1.2</b>	<b>1.7</b>

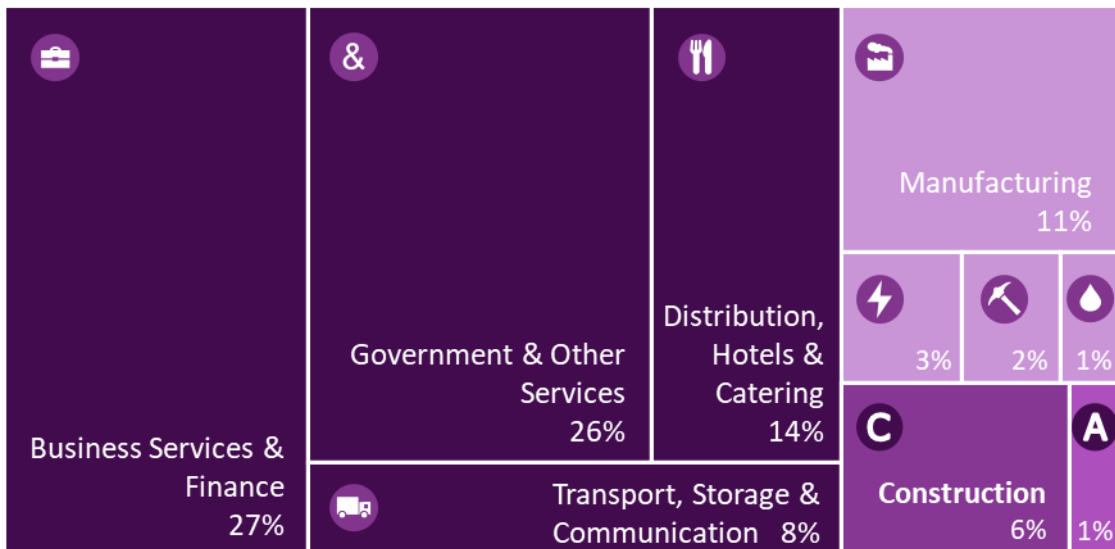
Growth in Onshore GDP – size of industries

As of 2015, three quarters (76%) of the Scottish economy was accounted for by Services industries. Production industries accounted for 17%, Construction for 6% and Agriculture, Forestry & Fishing for 1%.

Size of high level industries



Size of more detailed industries

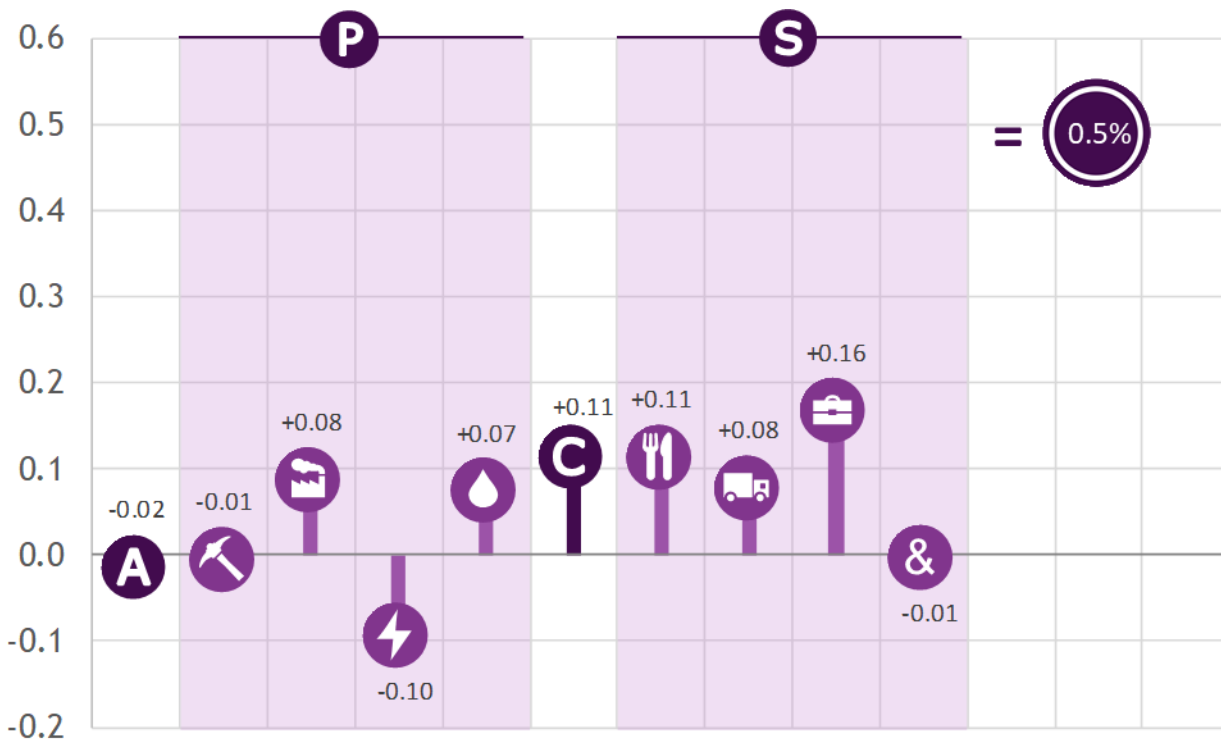


## Growth in onshore GDP – industry contributions

Industries which make up a larger proportion of the economy, or which experience large quarterly changes in output, make the largest contributions to overall GDP growth.

The chart below shows the contribution to the headline quarterly GDP figure made from each of the ten broad industry sectors of the economy (Services and Production have been broken down into their four sub-categories). If you add the percentage point contribution of each of the sectors the total is the overall quarterly growth rate of 0.5%.

Contribution of industries to overall GDP growth of 0.5%



**A** Agriculture, Forestry & Fishing

**C** Construction

**P** Production

**S** Services

Mining & Quarrying Industries

Distribution, Hotels & Catering

Manufacturing

Transport, Storage & Communication

Electricity & Gas Supply

Business Services & Finance

Water Supply & Waste Management

Government & Other Services

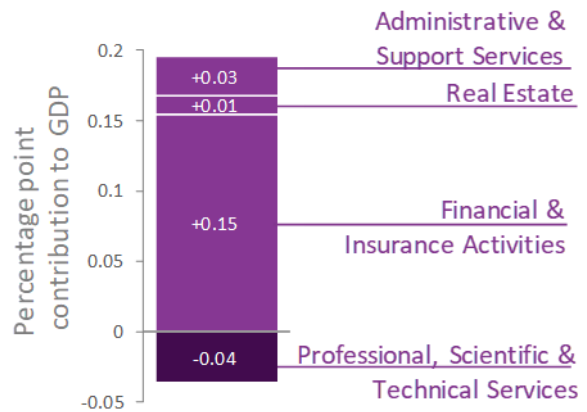
Quarterly GDP growth

Growth in onshore GDP – most influential sectors this quarter

**1. Business Services & Finance**

In 2018 Q2, Business Services and Finance increased total GDP by 0.16 percentage points.

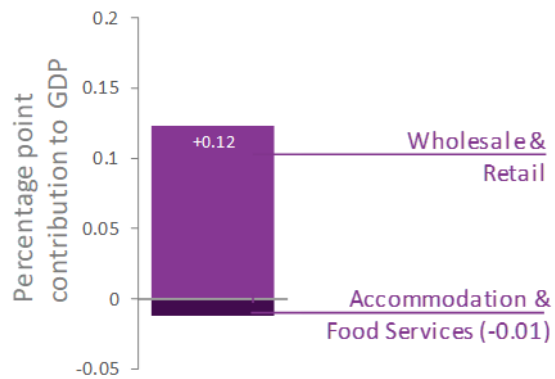
The majority of growth was driven by a strong quarter in Financial Services.



**2. Distribution, Hotels & Catering**

In 2018 Q2, Distribution, Hotels & Catering increased total GDP by 0.11 percentage points.

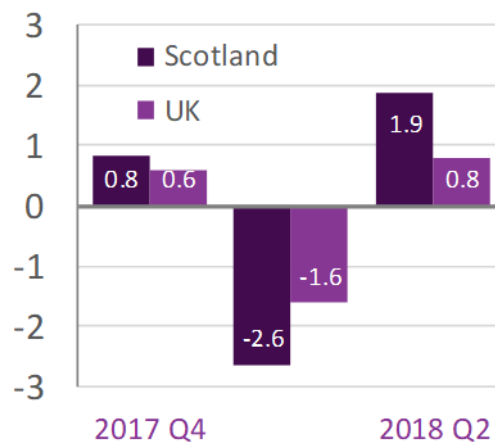
All of this growth came from the Retail and Wholesale sectors, in particular from the sales and repair of motor vehicles.



**3. Construction**

In 2018 Q2, Construction grew by 1.9%, which contributed 0.11 percentage points to total GDP.

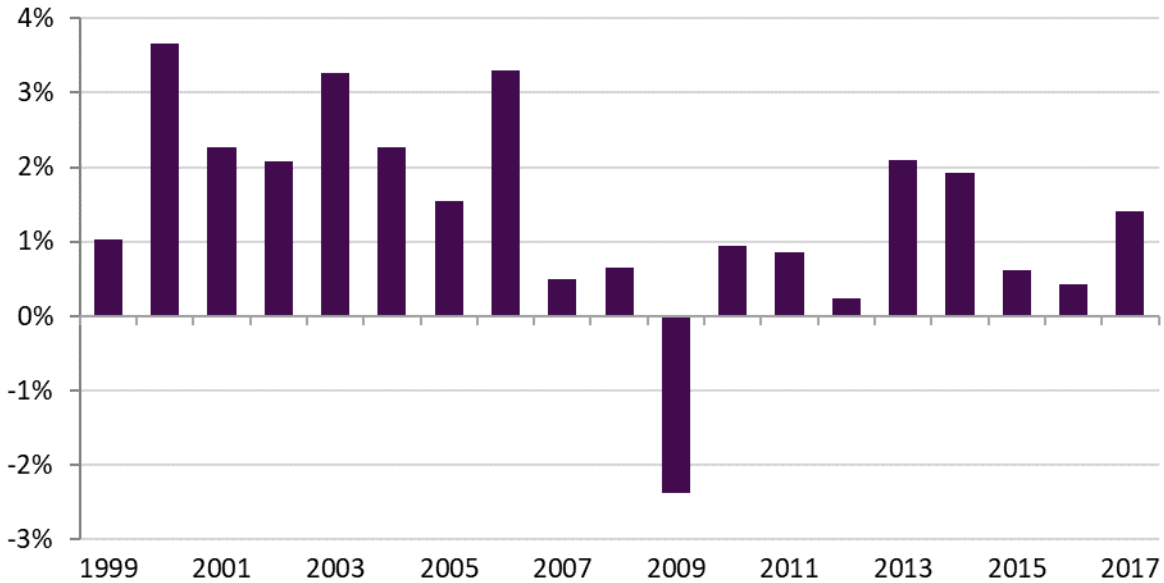
Growth in Scottish construction in Q2 follows contraction in Q1 (a period which saw adverse weather across the UK). The contraction in Scottish construction in Q1 and growth in Q2 is greater than across the UK as a whole.



Growth in onshore GDP – annual results

In 2017, Scotland’s onshore GDP grew by 1.4% compared to 2016. Growth has picked up from lower levels in 2015 and 2016, but remains below the longer-term average of around 2% per year.

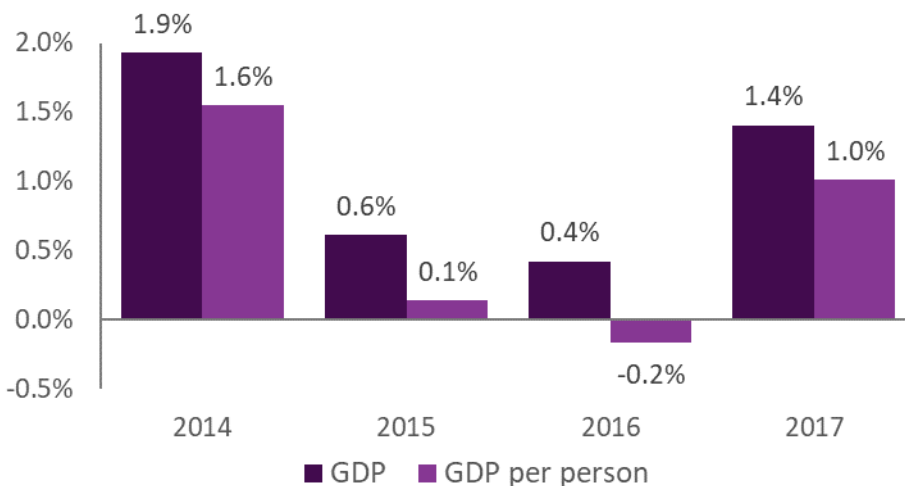
Annual GDP growth compared to previous year



GDP per person

GDP per person is calculated by dividing GDP in volume terms by the number of people in the population. It is not a direct measure of productivity or economic well-being, but is considered a useful measure. Scotland’s population has been growing in recent years, meaning that GDP per person has increased by less than GDP in total. Onshore GDP per person increased by 1.0% in 2017.

Annual growth in GDP and GDP per person



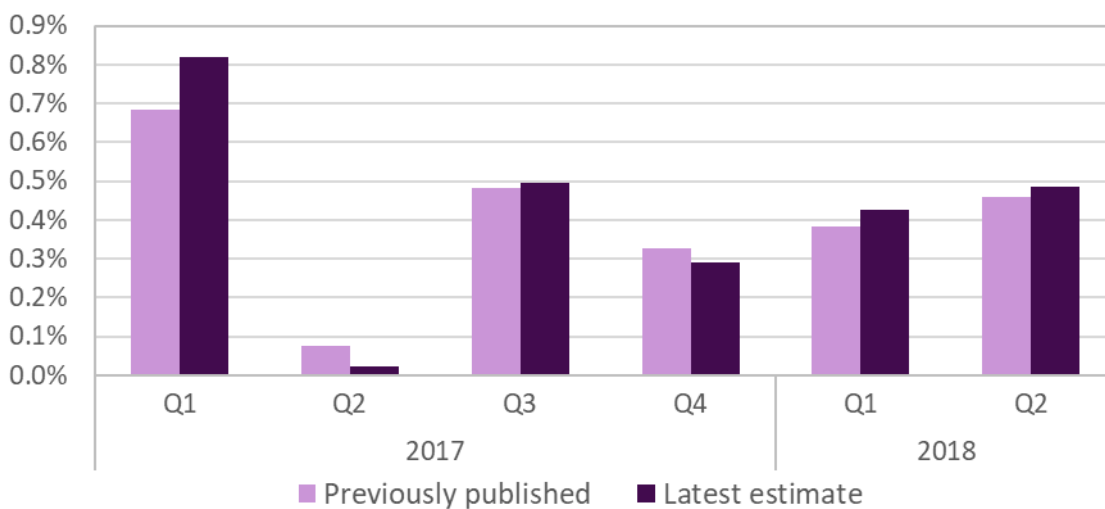


## Growth in onshore GDP - revisions back to 2017 Q1

In this release, estimates of Scotland’s GDP are open to revisions back to 2017 Quarter 1. This includes updates made to the latest quarter since the First Estimate published on 19 September.

Revisions are mostly due to updated results consistent with the (revised) UK Quarterly National Accounts for industries including mining & quarrying, construction, financial services and other services. The latest estimate of quarterly growth for each period back to 2017 Quarter 1 is compared to the previously published estimate in the chart below.

**Revisions to GDP growth compared to previous quarter (%)**



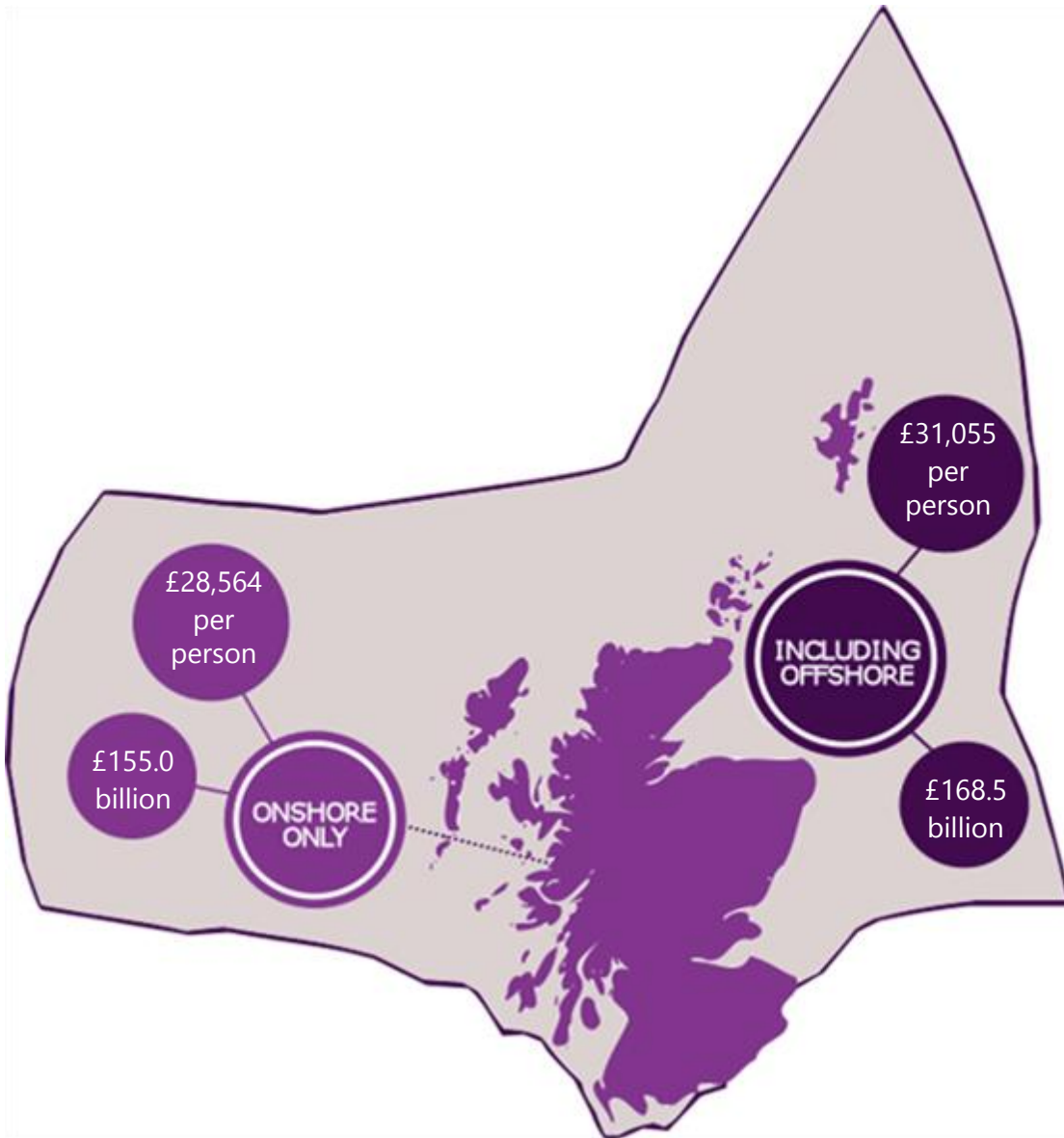
For 2018 Q2 there has been no revision to the quarterly growth rate of 0.5% between the first estimate published on 19 September and this release (when rounded to 1 decimal place). At a more detailed level, upward revisions within the Services sector have been offset by downward revisions in Production.

In previous quarters, the growth rate for 2017 Q2 has been revised down from 0.1% to 0.0%, and the growth rate for 2017 Q1 has been revised up from 0.7% to 0.8% following the data updates from the UK Quarterly National Accounts.

Information on the recent introduction of this new publication model for Scotland’s GDP, including the updated revisions policy, can be found [here](#).

GDP in cash terms, onshore and wider economy

Annual GDP in cash terms, including offshore activities, 2017



The cash value of GDP (in current prices, not adjusted for inflation) is estimated for the onshore economy and also for the wider economy including offshore activities in Scottish waters. Further information on these alternative measures of Scotland’s economy can be found [here](#).

In 2017, the value of Scotland’s onshore GDP is estimated at £155.0 billion in total, or £28,564 per person. Including oil and gas extraction in Scottish waters, Scotland’s GDP is estimated to have been £168.5 billion in total, or £31,055 per person. Quarterly results are available in the results tables.

## Expenditure approach – compared to the same quarter last year

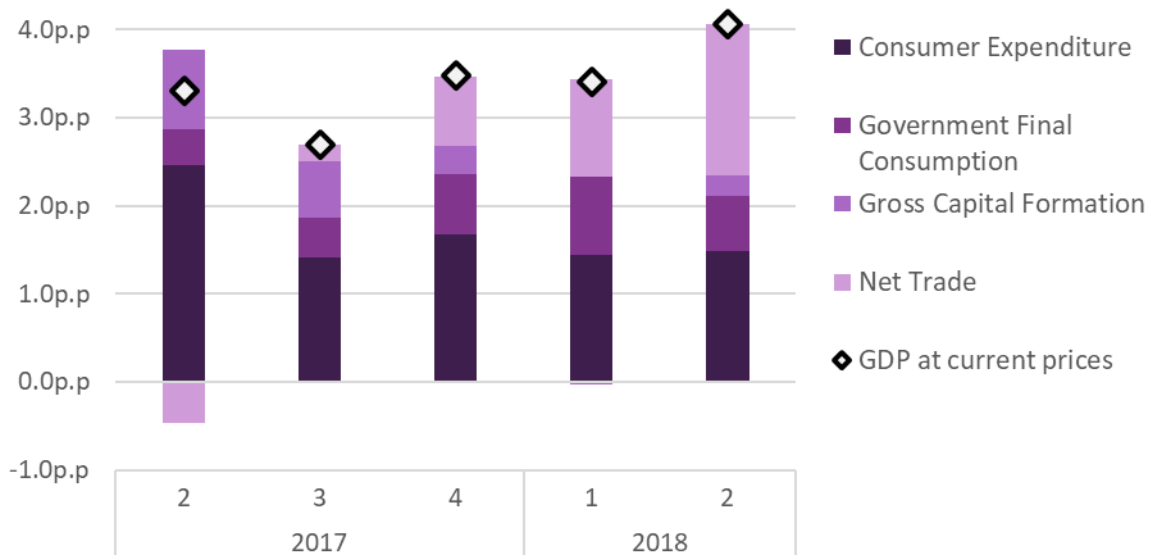
At the present time, estimates of GDP by expenditure are only available in current prices (not adjusted for inflation). This means that they relate to changes in the cash value of GDP, not the headline growth measures in real terms. The components of the expenditure approach are widely used for economic analysis, modelling and forecasting.

### Expenditure contributions to growth

The expenditure components can be used to indicate what types of demand in the economy have been driving the change in onshore GDP. The chart below shows the change in GDP split into four summary components based on each of their weights. The contributions of each component (which can be positive for an increase, or negative for a decrease) add up to the change in total onshore GDP compared to the same quarter last year.

### Contributions to change in GDP compared to same quarter last year

Weighted percentage point increase (current prices)



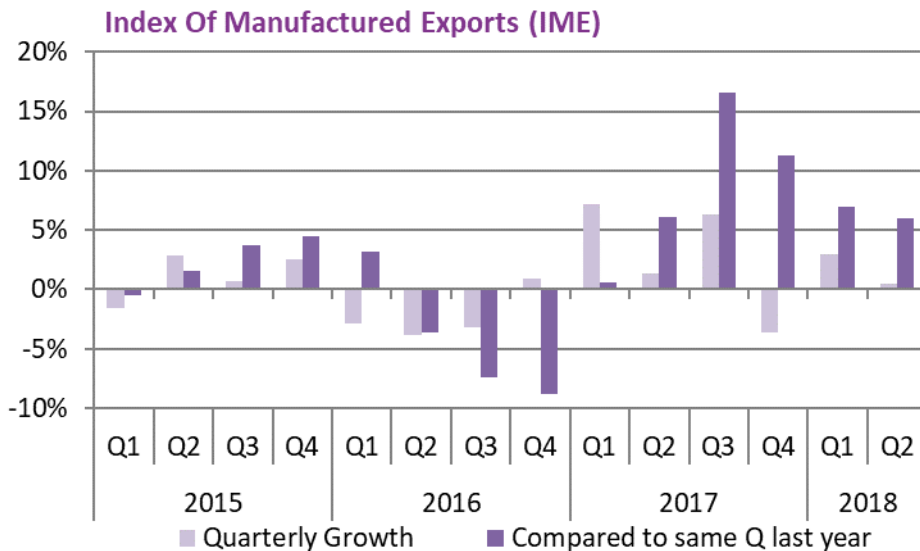
In 2018 Quarter 2, the current price value of onshore GDP (not adjusted for inflation) has increased by 4.1% compared to the same time last year. The largest component of this increase is estimated to be an improvement in the onshore net trade balance, due to the value of exports increasing by more than the value of imports. Net trade has made an increasingly positive contribution for each of the last four quarters.

In the latest quarter there were also positive contributions to GDP from consumer expenditure, Government final consumption expenditure, and gross capital formation (which includes government and business investment).

Expenditure approach – manufactured exports

**Index of Manufactured Exports (IME)**

Manufactured exports make up around half of the total value of exports from the onshore economy of Scotland to the rest of the world (i.e. excluding oil and gas), and are an important sub-component of the expenditure approach to GDP. The Index of Manufactured Exports (IME) is a measure of growth of these exports in volume (real) terms.



The Index of Manufactured Exports (IME) increased by 0.4% in volume terms during the second quarter of 2018. Compared to the same quarter last year, the volume of manufactured exports increased by 6.0%.

**IME growth compared to the same quarter last year, by broad sector (%)**

		2017			2018	
		Q2	Q3	Q4	Q1	Q2
Real terms	Food and drink	-5.4	11.9	-2.6	1.0	7.6
	Refined petroleum, Chemical, and pharmaceutical products	18.8	30.3	26.8	6.5	10.4
	Engineering, Machinery and Metals	19.9	23.1	29.1	14.4	3.2
	Other Manufactured Products	-1.6	4.5	0.9	4.6	5.8
	<b>Total Manufactured Exports</b>	<b>6.1</b>	<b>16.6</b>	<b>11.3</b>	<b>6.9</b>	<b>6.0</b>

## Household Sector Income Accounts

### Gross Disposable Household Income (GDHI)

Gross Disposable Household Income (GDHI) is a measure of how much money the population has for spending or saving after financial transfers such as pensions, taxes and benefits are accounted for. GDHI includes income earned in other areas of the UK or from abroad (for example, offshore workers' income or income from overseas investments) which are not part of GDP.

In 2018 Quarter 2, GDHI is estimated to have increased by 1.2% compared to the same period last year.

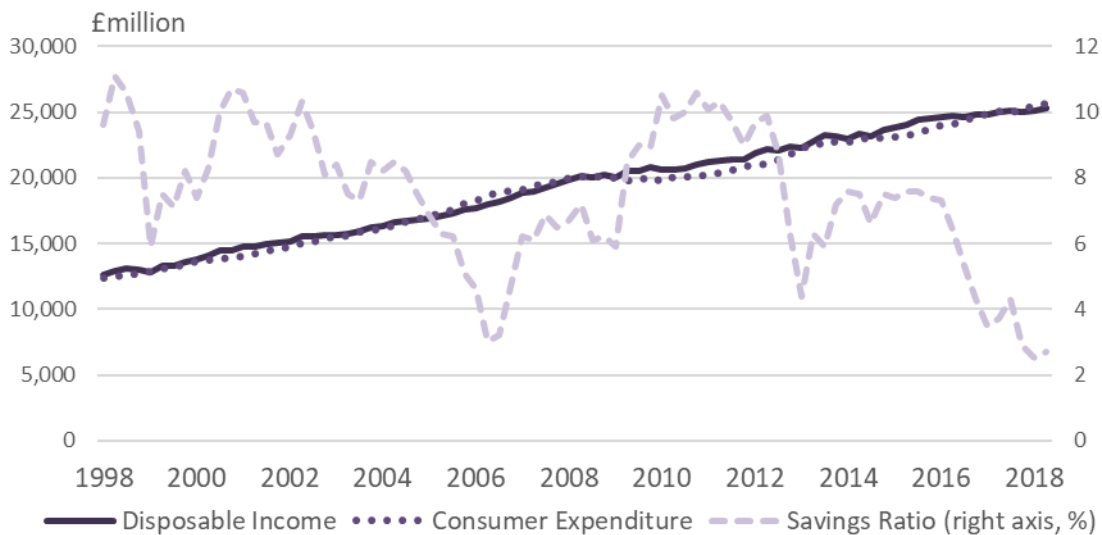
### Household Savings Ratio

In National Accounts, gross saving is calculated by subtracting Household consumer expenditure from Disposable Income.

In 2018 Q2, Household Expenditure is estimated to have increased by 2.3% compared to the same period last year. Spending is estimated to have increased by more than disposable income, meaning that saving has reduced.

The Household Savings Ratio is an estimate of the proportion of total available income which is left to households for saving or investment. In the latest quarter, the Household Savings Ratio in Scotland is estimated at 2.7%, and has fallen from 3.7% in the same quarter last year.

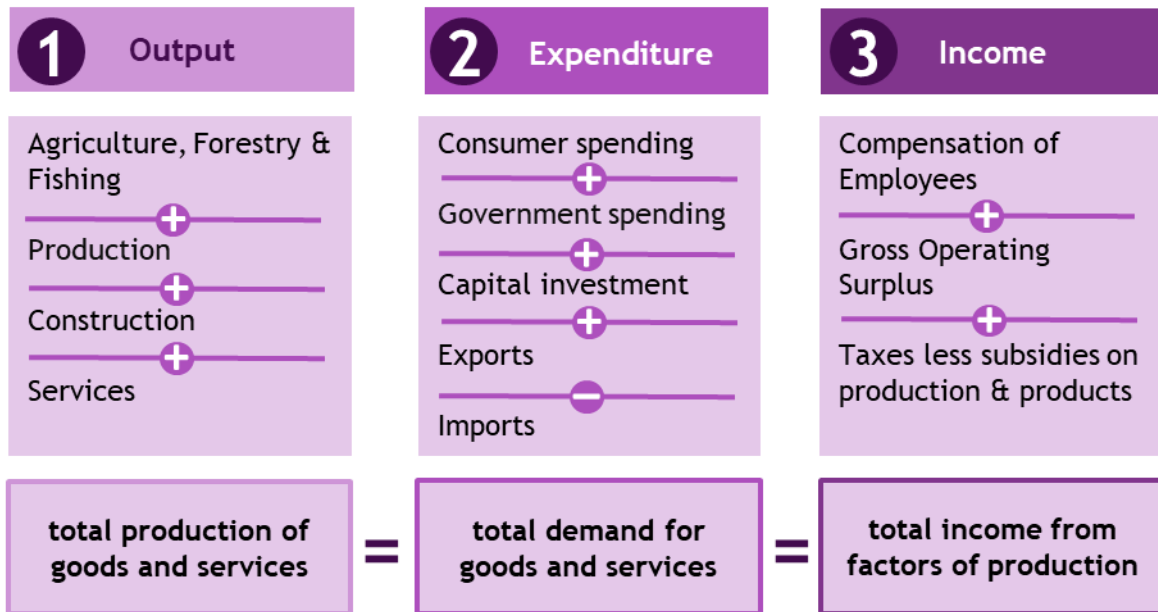
### Household sector income, expenditure and saving



## Background Notes

### About the GDP Quarterly National Accounts

Gross domestic product (GDP) is the main indicator of economic activity in Scotland. There are three ways to measure GDP which should all produce the same result. Each of these approaches allows GDP to be broken down into different categories.



The GDP Quarterly National Accounts covers all three approaches to GDP and their breakdowns in **current prices** (cash terms, unadjusted for inflation) for the onshore economy. At the present time, estimates of onshore GDP in **real terms** are only available using the output approach.

The GDP Quarterly National Accounts also includes estimates of total GDP in current prices for the wider Scottish economy including an illustrative share of UK extra-regio (offshore and overseas) economic activity.

### Future Developments

The Scottish Fiscal Commission published its first annual Statement of Data Needs on 5 September 2018 ([link](#)). The statement outlines the data the SFC require for its forecasts and highlights priorities for new or improved data. Three of the SFC's main priorities for development of economic data relate to statistics in this publication. Information on the plans relating to these priorities is available [here](#).

### Next publications

GDP First Estimate, 2018 Quarter 3

19 December 2018

GDP Quarterly National Accounts, 2018 Quarter 3

30 January 2019

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## A National Statistics publication for Scotland

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be interpreted to mean that the statistics: meet identified user needs; are produced, managed and disseminated to high standards; and are explained well.

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