

## ECONOMY AND LABOUR MARKET

# GDP Quarterly National Accounts, Scotland

## 2018 Quarter 3 (July-September)

30 January 2019

This publication includes the updated second estimate of onshore GDP growth in real terms, additional breakdowns of GDP in nominal (cash) terms, and key household sector statistics.

### Headline results



**+0.2%**

Scotland's GDP grew by 0.2% in real terms during the third quarter of 2018, revised down from the first estimate of 0.3%. The equivalent growth rate for the UK as a whole was 0.6%.



**+1.3%**

Compared to the same quarter last year, Scotland's GDP has grown by 1.3%, revised down from the first estimate of 1.5%. Equivalent UK growth over the year was 1.5%.



The largest single contribution to growth this quarter came from the Construction sector, which has seen growth revised up from 2.7% to 2.9% in the latest quarter. The largest contribution to the downward revision to headline growth was in the Electricity & Gas sector due to updated data for electricity generation being lower than originally estimated.



Using the expenditure approach, the largest contribution to GDP growth over the year has been household consumer spending, which is the largest category of demand in the economy and usually makes the largest contribution.



Over the latest 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 2.4% in the latest quarter, down from 3.6% 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 3 (July-September), which uses additional data released since the GDP First Estimate published on 19 December. This release is consistent with the UK Quarterly National Accounts for 2018 Quarter 3.

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

- Total GDP in nominal (cash) terms for the onshore economy and also the wider economy including offshore activities
- Onshore GDP in nominal 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

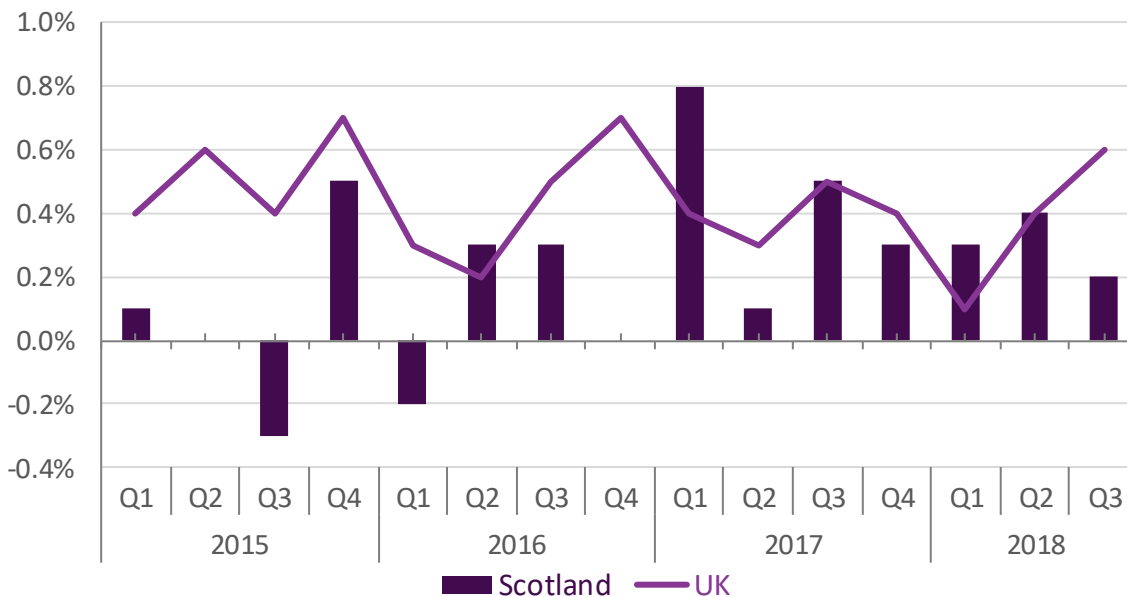
This publication includes summaries of many of the key results from the latest statistics.

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 0.2% in real terms during the third quarter of 2018 compared to the previous quarter, revised down from the first estimate of 0.3% published on 19 December. Over the same period, total UK GDP grew by 0.6%.

GDP growth compared to previous quarter



In the latest quarter, output in the Services sector grew by 0.2%, output in the Production sector fell by 0.9%, and output in the Construction sector grew by 2.9%.

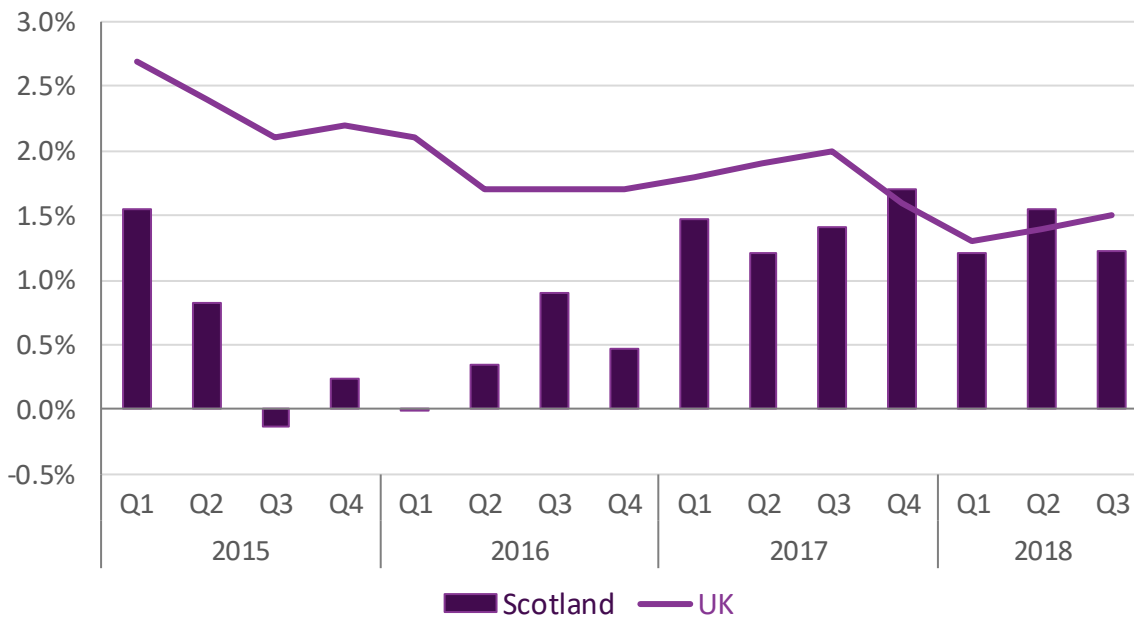
GDP growth compared to previous quarter by sector (%)

		2017		2018		
		Q3	Q4	Q1	Q2	Q3
Real terms	Agriculture, forestry & fishing	0.4	-1.1	0.2	-1.4	-1.1
	Construction	-0.8	1.1	-2.4	0.5	2.9
	Production	1.6	1.2	0.8	0.3	-0.9
	Services	0.3	0.1	0.5	0.5	0.2
	<b>Whole economy</b>	<b>0.5</b>	<b>0.3</b>	<b>0.4</b>	<b>0.5</b>	<b>0.2</b>

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

In the third quarter of 2018, Scotland’s economy is estimated to have grown by 1.3% over the year compared to the third quarter of 2017. This has been revised down from the first estimate of 1.5% published on 19 December. Over the same period UK GDP grew by 1.5%. 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 1.3%, Production has grown by 1.4% and Construction has grown by 2.0%.

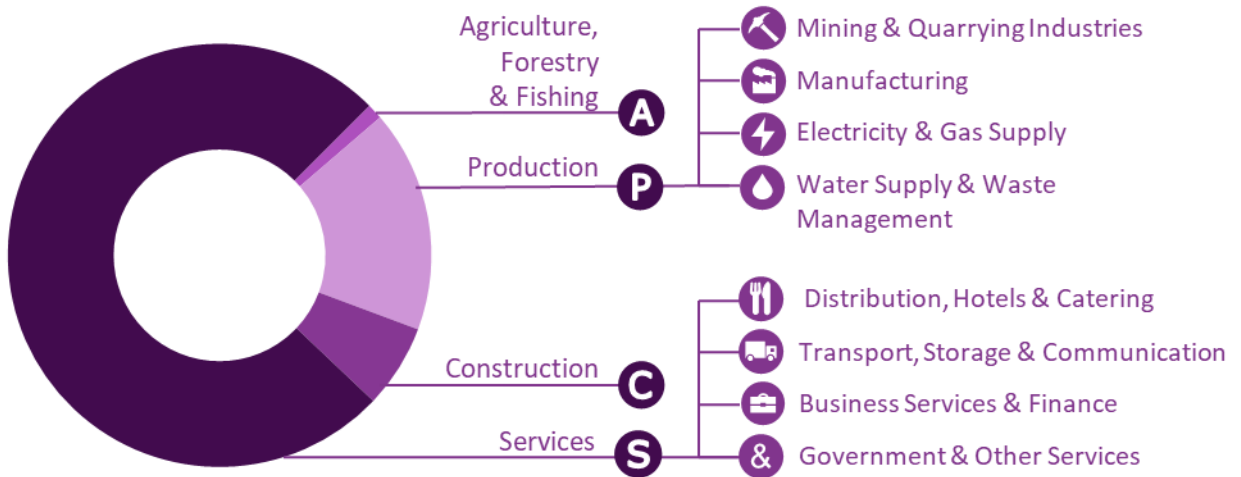
GDP growth compared to the same quarter last year, by sector (%)

		2017		2018		
		Q3	Q4	Q1	Q2	Q3
Real terms	Agriculture, forestry & fishing	5.9	2.0	1.0	-1.9	-3.4
	Construction	3.2	2.8	-2.0	-1.6	2.0
	Production	3.1	4.2	3.2	4.0	1.4
	Services	0.8	1.1	1.1	1.5	1.3
	<b>Whole economy</b>	<b>1.4</b>	<b>1.7</b>	<b>1.2</b>	<b>1.6</b>	<b>1.3</b>

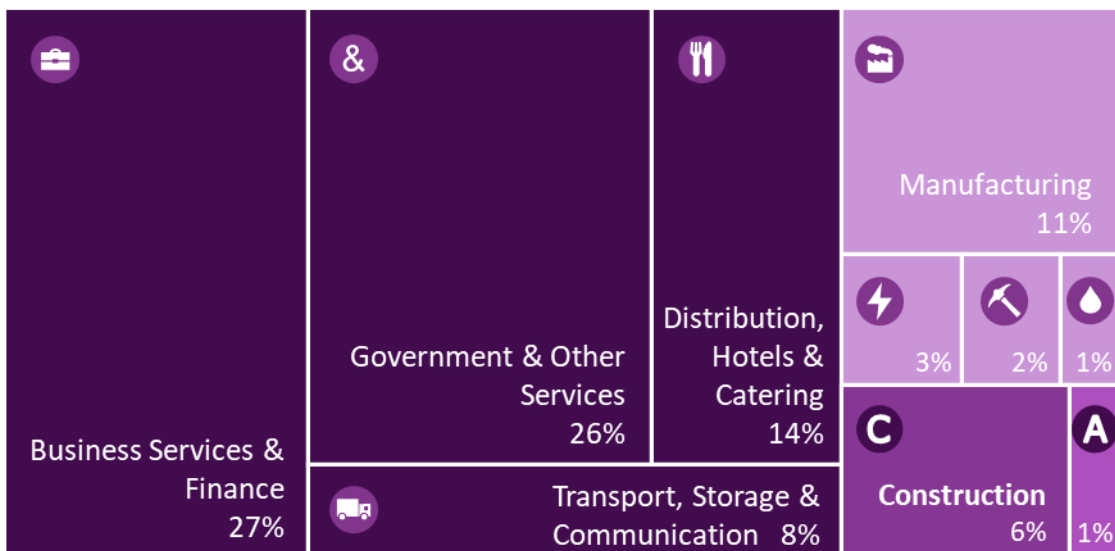
Growth in Onshore GDP – size of industries

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

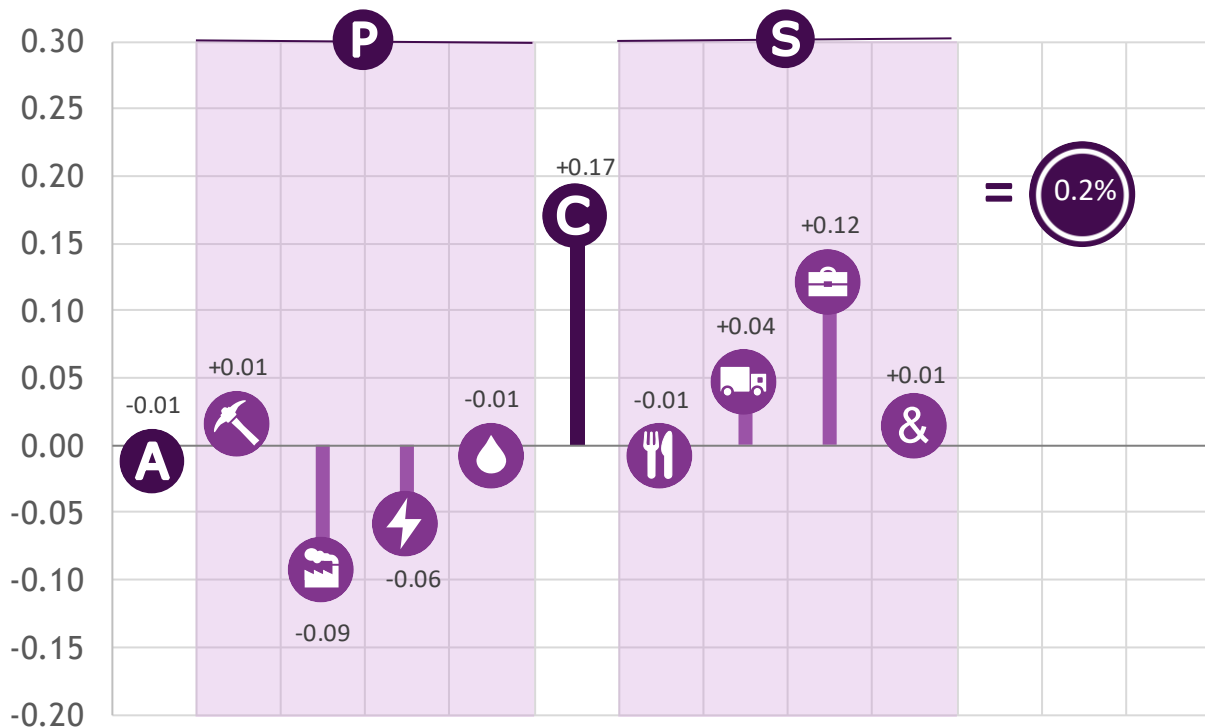


Growth in onshore GDP – industry contributions

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 0.2%.

Contribution of industries to overall GDP growth of 0.2%



**A** Agriculture, Forestry & Fishing

**P** Production

- Mining & Quarrying Industries
- Manufacturing
- Electricity & Gas Supply
- Water Supply & Waste Management

**C** Construction

**S** Services

- Distribution, Hotels & Catering
- Transport, Storage & Communication
- Business Services & Finance
- Government & Other Services

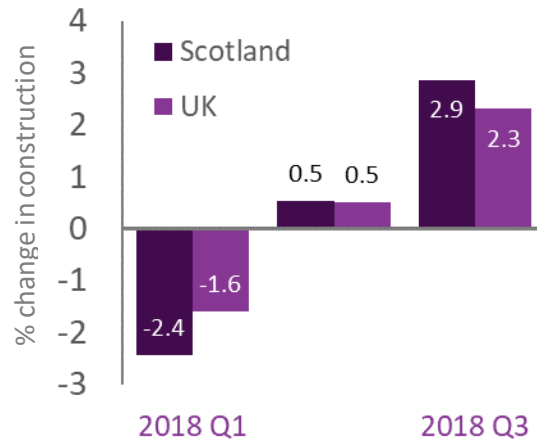
Quarterly GDP growth

Growth in onshore GDP – most influential sectors this quarter

1. Construction

In 2018 Q3 Construction grew by 2.9%, which contributed 0.17 percentage points to total GDP.

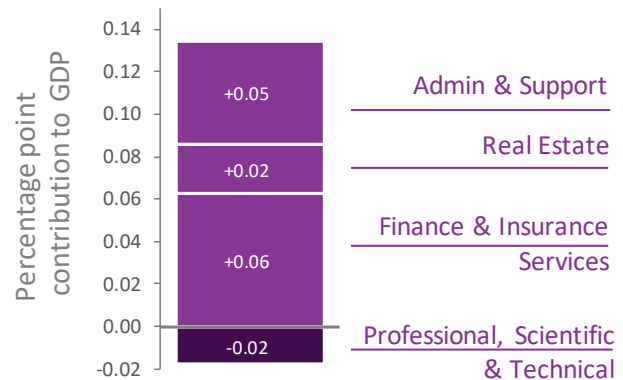
Growth in Scottish construction in Q3 and Q2 follows contraction in Q1 (a period which saw adverse weather across the UK).



2. Business Services & Finance

In 2018 Q3, growth in Business Services & Finance increased total GDP by 0.13 percentage points.

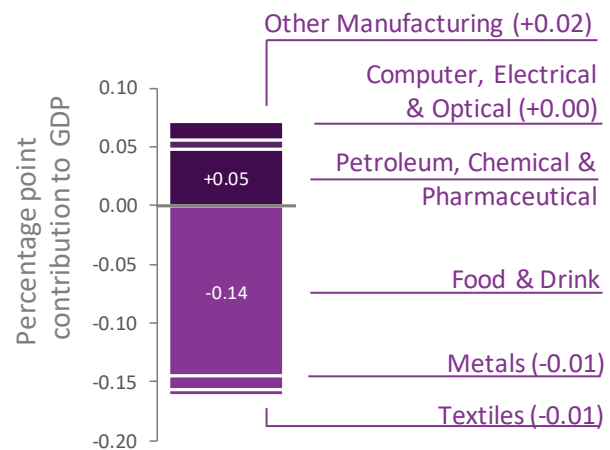
Almost all of this growth came from the Finance & Insurance Services.



3. Manufacturing

In 2018 Q3, the fall in Manufacturing output reduced total GDP by 0.09 percentage points. There was some growth in the Chemical & Pharmaceutical industries this quarter, offset by falls in Food & Drink.

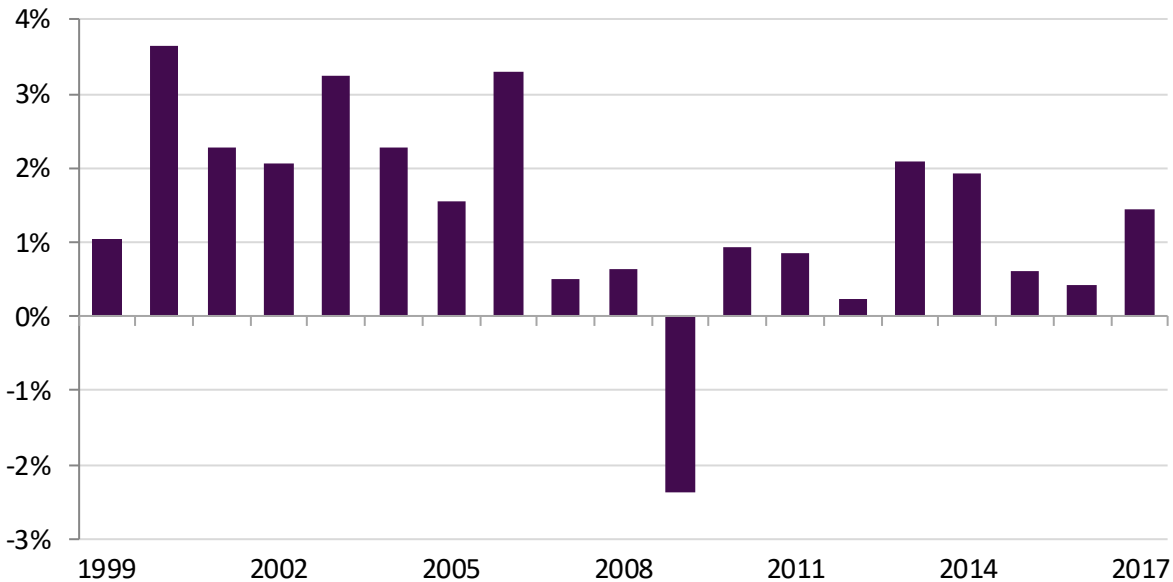
Almost all of the contraction in Manufacturing this quarter was driven by falls in Food & Drink and in Other Manufacturing.



Growth in onshore GDP – annual results

In 2017, Scotland’s onshore GDP grew by 1.5% compared to 2016, revised up from the previous estimate of 1.4%. Growth has picked up from the lower levels seen in 2015 and 2016.

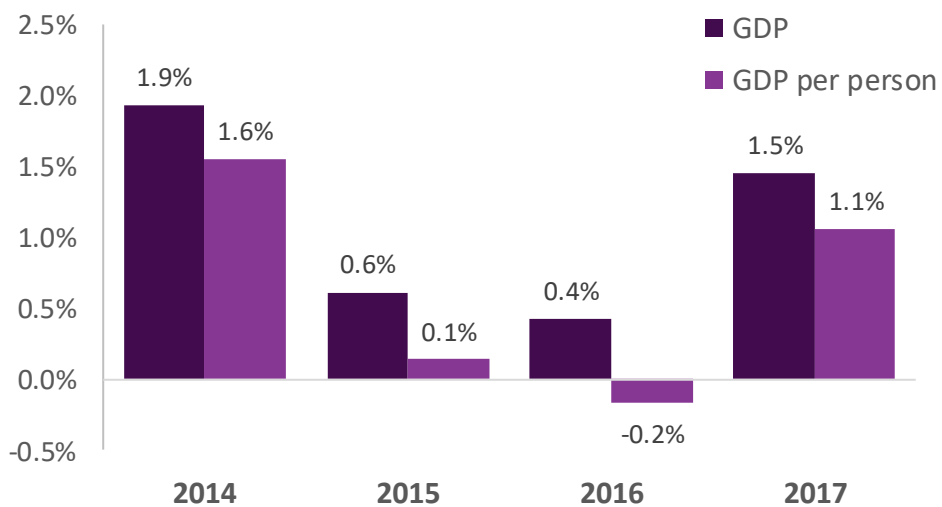
Annual GDP growth compared to previous year



GDP per person

GDP per person is calculated by dividing GDP 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 indicator by many users. 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 1.1% in 2017.

Annual growth in GDP and GDP per person





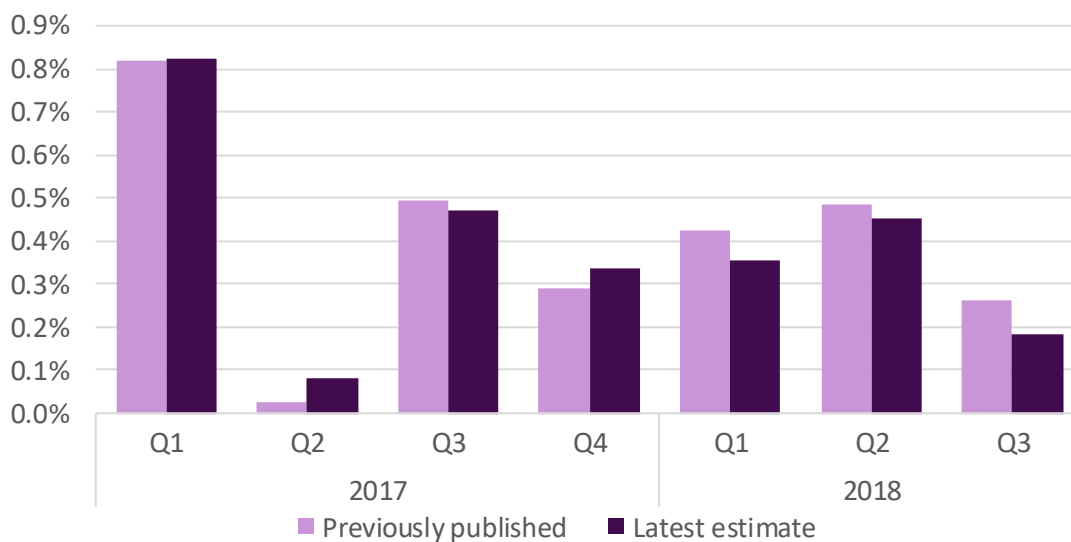
## Growth in onshore GDP - revisions back to 2017 Q1

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 December.

Routine revisions are due several updated data sources including: results consistent with the (also revised) UK Quarterly National Accounts; updated annual employment data used in parts of some industries; and revised estimates across the manufacturing and services industries from late or updated business survey returns.

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.

### Latest estimates of quarterly GDP growth compared to previous publication



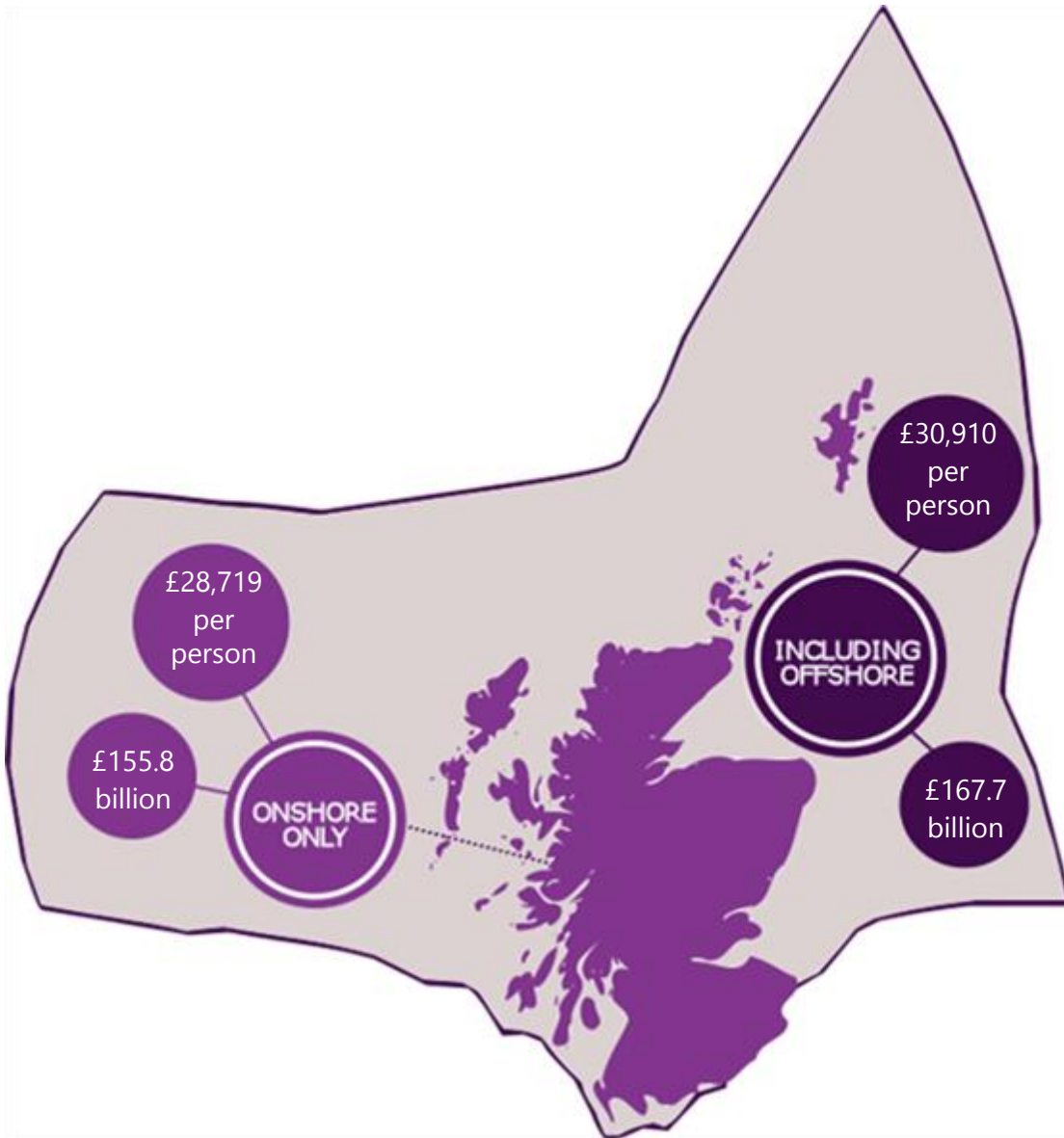
For 2018 Q3 there has been a downward revision to the quarterly growth rate from 0.3% to 0.2% between the first estimate published on 19 December and this release (when rounded to 1 decimal place). At a more detailed level, upward revisions within the mining and construction sectors have been offset by downward revisions elsewhere. The largest contribution to the downward revision was due to updated data for electricity generation being lower than originally estimated.

In previous quarters, the growth rate for 2017 Q2 has been revised up from from 0.0% to 0.1%, and there have been smaller revisions to other quarters which have not changed the results rounded to 1 decimal place.

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 nominal terms, onshore and wider economy

Annual GDP in nominal terms, including offshore activities, 2017



The nominal cash value of GDP (i.e. not adjusted for inflation) is estimated for the onshore economy and also for the wider economy including offshore activities in Scottish waters. The figure above illustrates the extent of Scotland’s economic territory including Scottish adjacent waters. Further information on the alternative measures of Scotland’s economy can be found [here](#).

In 2017, the value of Scotland’s onshore GDP is estimated at £155.8 billion in total, or £28,719 per person. Including oil and gas extraction in Scottish waters, Scotland’s GDP is estimated to have been £167.7 billion in total, or £30,910 per person. Quarterly results are available in the tables.

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

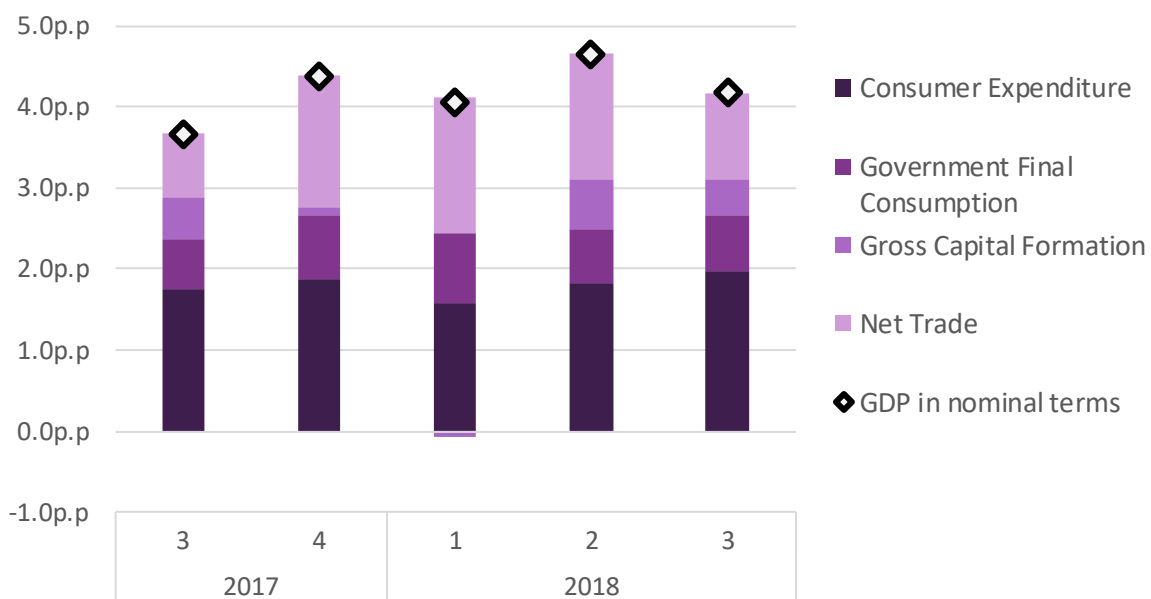
At the present time, estimates of GDP by expenditure are only available in nominal terms (not adjusted for inflation). This means that they relate to changes in the cash value of GDP, not the headline growth measured in real terms. The components of the expenditure approach are widely used for economic 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 growth in onshore GDP. The chart below shows the growth in GDP in nominal terms 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 (in nominal terms, not the headline real terms growth rate).

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

Weighted percentage point increase (nominal terms)



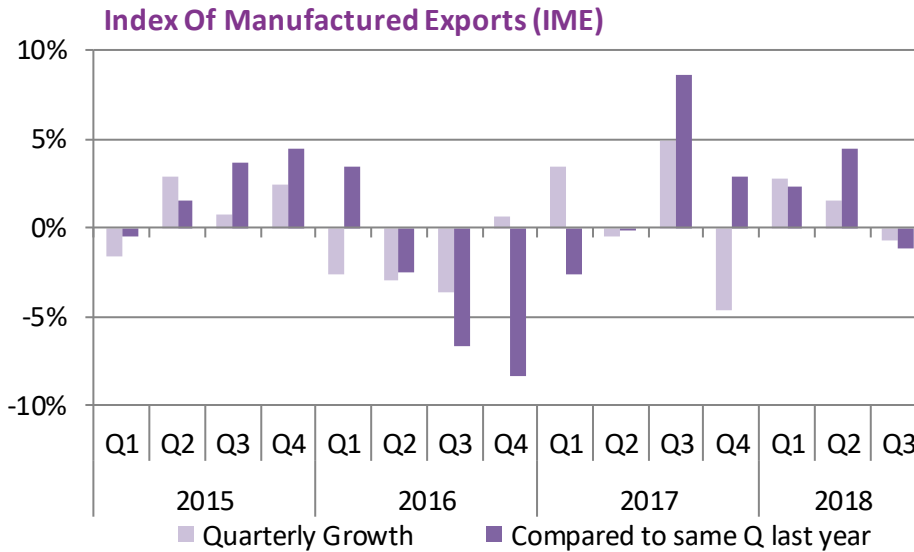
In 2018 Quarter 3, the value of onshore GDP has increased by 4.2% in nominal terms compared to the same time last year (not adjusted for inflation). The largest component of this increase has been consumer spending, which is the largest category of demand in the economy and usually makes the largest contribution to growth.

Over the latest 12 months there were also positive contributions to GDP from Government final consumption expenditure (i.e. spending on services), gross capital formation (which includes both government and business investment), and an improvement in the onshore net trade balance due to the value of exports increasing by more than the value of imports.

**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 real terms and represents the quantity of exports.



The Index of Manufactured Exports (IME) decreased by 0.7% in real terms during the third quarter of 2018. Compared to the same quarter last year, the quantity of manufactured exports decreased by 1.2%. The latest results have been updated using data from [Export Statistics Scotland](#) for 2017.

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

		2017		2018		
		Q3	Q4	Q1	Q2	Q3
Real terms	Food and drink	12.7	-2.1	1.0	5.2	-5.1
	Refined petroleum, Chemical, and pharmaceutical products	21.7	17.5	2.0	11.9	3.2
	Engineering, Machinery and Metals	5.8	8.8	5.1	1.5	0.1
	Other Manufactured Products	-6.9	-7.7	-1.7	4.4	6.3
	<b>Total Manufactured Exports</b>	<b>8.6</b>	<b>2.9</b>	<b>2.3</b>	<b>4.4</b>	<b>-1.2</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 3, GDHI is estimated to have increased by 1.6% in nominal terms compared to the same period last year.

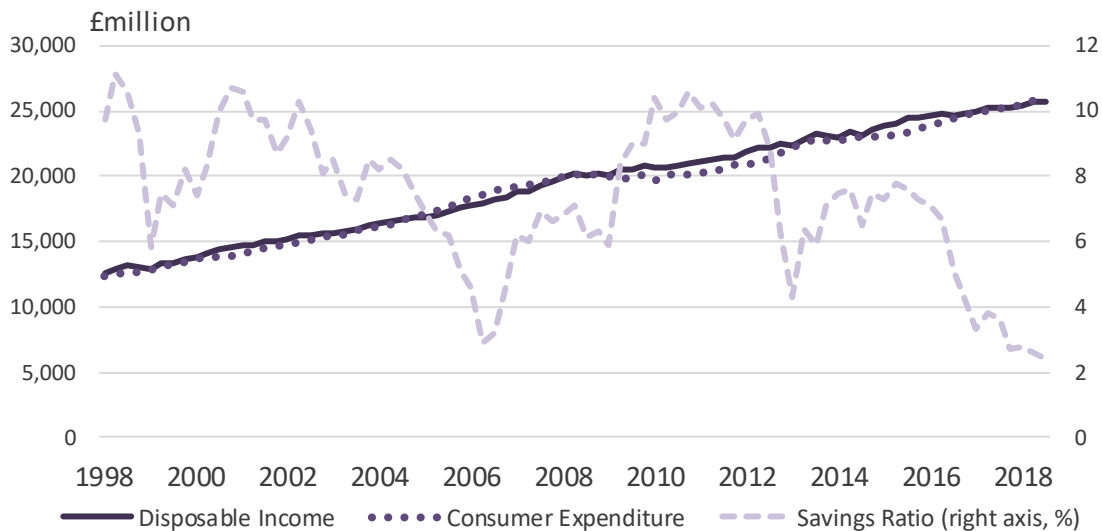
### Household Savings Ratio

In National Accounts, gross saving is calculated by subtracting Household consumer expenditure from Disposable Income and represents funds which are available for adding to savings or paying off debt. It is not a direct measure of actual deposits made to savings accounts.

In 2018 Q3, Household Expenditure is estimated to have increased by 3.1% compared to the same period last year, whereas Disposable income increase by only 1.6%. Spending is estimated to have increased by more than disposable income, meaning that saving has reduced.

The Household Savings Ratio is the proportion of disposable income which is left to households for saving or investment. In the latest quarter, the Household Savings Ratio in Scotland is estimated at 2.4%, and has fallen from 3.6% in the same quarter last year.

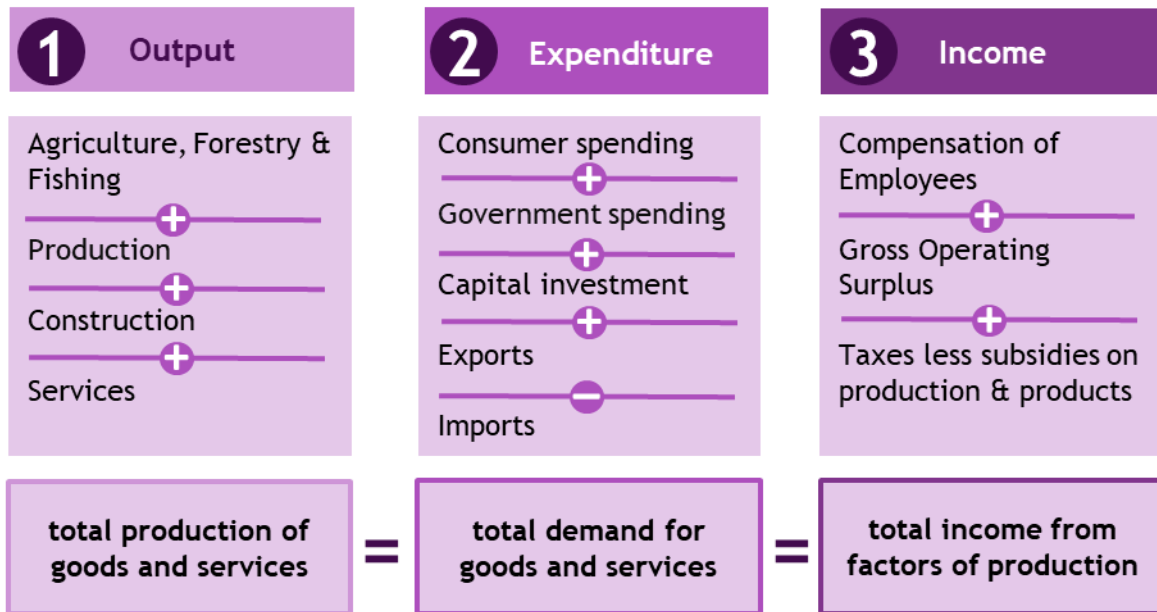
### Household sector income, expenditure and saving



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 4

20 March 2019

GDP Quarterly National Accounts, 2018 Quarter 4

1 May 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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The data collected for this statistical bulletin may be made available on request, subject to consideration of legal and ethical factors. Please contact the national accounts team for further information.

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