

ECONOMY AND LABOUR MARKET

GDP Quarterly National Accounts, Scotland

2018 Quarter 4 (October-December)

1 May 2019

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

Headline results



Scotland's GDP grew by 0.3% in real terms during the fourth quarter of 2018 compared to the previous quarter, unrevised from the first estimate. The equivalent growth rate for the UK as a whole was 0.2%.



Compared to the same quarter last year, Scotland's GDP has grown by 1.3%, unrevised from the first estimate. Equivalent UK growth over the year was 1.4%.



In 2018, Scotland's annual GDP grew by 1.3% compared to 2017, revised down from 1.4% in the first estimate. Equivalent annual UK growth was 1.4%.



In 2018, the value of Scotland's GDP is estimated at £178.6 billion, or £32,800 per person, including oil and gas extraction in Scottish waters.



In 2018, the most influential industry sector was manufacturing, with output increasing by 3.2% in total. This included strong increases from the manufacture of computer, electrical and optical products, food and drink, and the miscellaneous other manufacturing subsector.



This release includes the first results of new experimental statistics on the expenditure approach to GDP in real terms. In 2018, it is estimated that in expenditure terms the largest contribution to growth was from an improvement in the net trade balance due to exports increasing at a faster rate in real terms than imports.

What's in the Quarterly National Accounts?

Contents

Second estimate of onshore GDP growth in real terms	3
GDP by industry, contributions to growth	5
GDP by expenditure, contributions to growth	6
GDP in cash terms, onshore and wider economy	7
Household sector income accounts	8
Revisions	9
Background notes	10

About the GDP Quarterly National Accounts

This publication includes the second estimate of onshore GDP growth for 2018 Quarter 4 (October-December), which uses additional data released since the GDP First Estimate published on 20 March. This release is consistent with the UK Quarterly National Accounts for Quarter 4.

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.

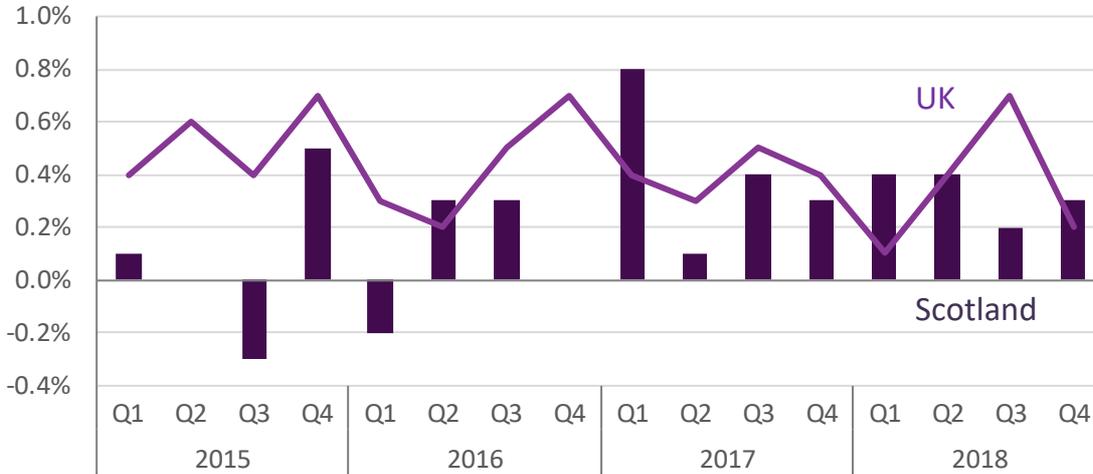
Data

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

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

Scotland’s onshore GDP grew by 0.3% during the fourth quarter of 2018, unrevised from the first estimate

GDP percentage change compared to the previous quarter



GDP grew by 0.3% in real terms during the fourth quarter of 2018, unrevised from the first estimate published on 20 March. Over the same period, UK GDP grew by 0.2%.

GDP has grown by 1.3% compared to the same period a year earlier

GDP percentage change compared to same quarter last year

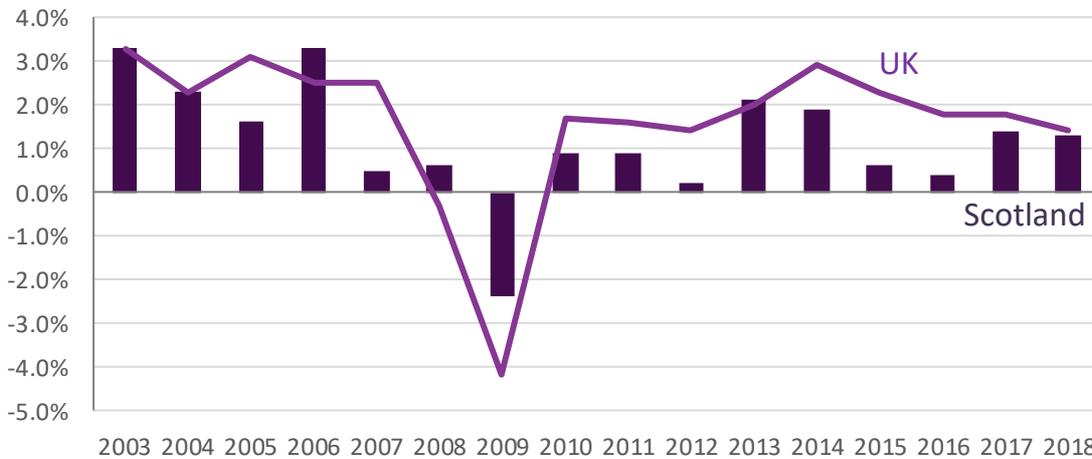


Compared to the fourth quarter of 2017, GDP has grown by 1.3%, unrevised from the first estimate. The growth rate over the year is based on how much GDP has changed in total across the latest four quarters. Over the same period, UK GDP grew by 1.4%.

The latest quarter continues a period of relatively stable growth for Scotland since the start of 2017, following a weaker period during 2015 and 2016.

In 2018, Scotland’s annual GDP growth was 1.3%

Annual GDP percentage change compared to previous year



In 2018, Scotland’s annual onshore GDP grew by 1.3% compared to 2017, revised down from the first estimate of 1.4%. The annual GDP growth rate is based on results for the whole year compared to the previous year (in other words, it is based on results for the last eight quarters). Annual growth in 2018 for the UK as a whole was 1.4%.

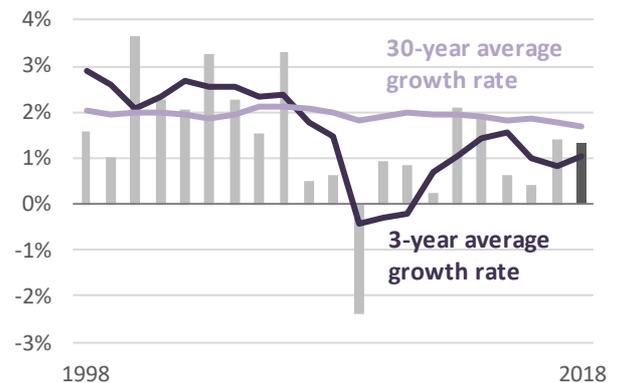
Update to the National Performance Framework

Scotland’s National Performance Framework (NPF) includes the Economy outcome that *we have a globally competitive, entrepreneurial, inclusive and sustainable economy*. One of the indicators for this outcome is the performance of GDP growth compared to the recent 3-year average, as described below. Further information can be found at nationalperformance.gov.scot

2018 growth is above the 3-year average

On average over the three years from 2015 to 2017 Scottish GDP grew by 0.8% per year. Growth in 2018 (1.3%) is higher than this recent average growth rate, indicating a recent improvement in the economy.

Over the thirty years from 1988 to 2018, average growth has been 1.7% per year. This longer period is used to smooth out the peaks and troughs of regular economic cycles and indicates the longer-term trend.



In most years since the 2008-09 global financial crisis, GDP growth in Scotland has been below the 30 year average growth rate. A similar trend can be observed in a number of advanced economies, and has been linked to a slowdown in productivity growth since the recession.

GDP growth by industry sector has been broad based in 2017 and 2018

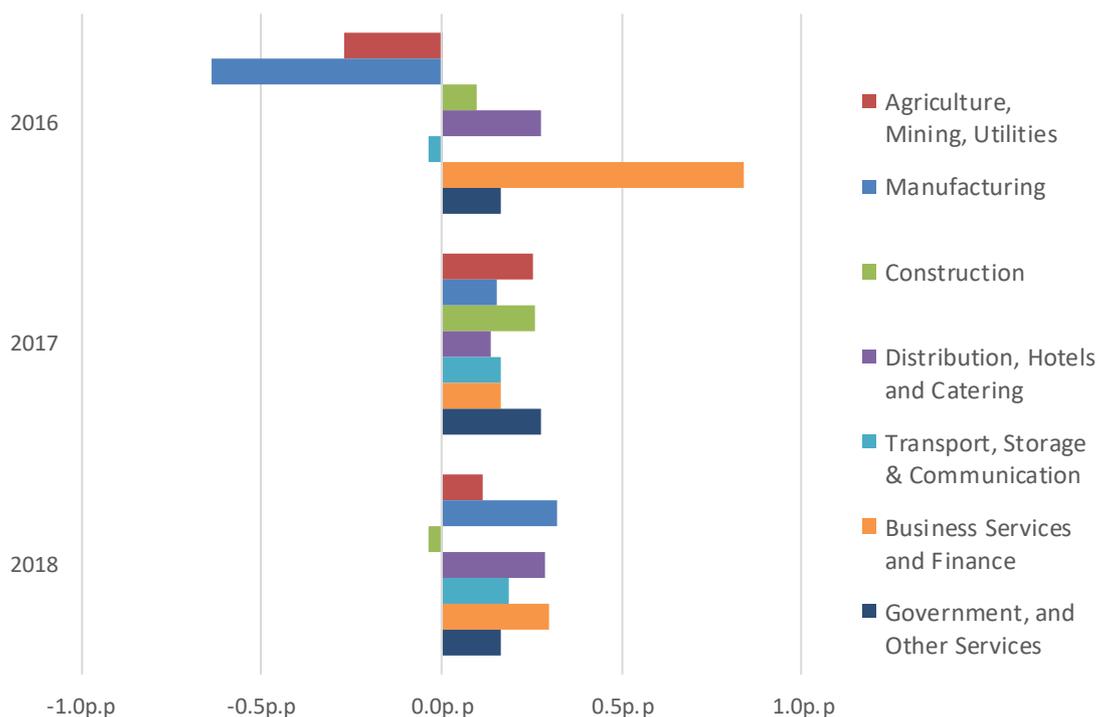
The results below show the breakdown of total GDP growth between the main industry sectors.

Annual growth in GDP by industry, in volume (real) terms

	Production	of which: manufac- turing	Construction	Distribution, Hotels & Catering	Transport, Storage & Comms	Business Services & Finance	Government & Other Services	Overall GDP Growth
2016	-5.4%	-6.0%	1.6%	2.0%	-0.5%	2.9%	0.6%	0.4%
2017	2.1%	1.5%	4.3%	1.0%	2.1%	0.6%	1.1%	1.4%
2018	2.8%	3.2%	-0.6%	2.1%	2.4%	1.0%	0.6%	1.3%

During 2018 there was growth in most of the main industry sectors across the economy, with the exception of Construction. The chart below shows how each sector contributed to overall growth, based on how big each industry is and how much its output has increased. In each year, the sum of all the industries' contributions is equal to the percentage growth rate of total GDP.

Industry contributions to growth (percentage points of GDP growth)



In 2018 the most influential sector was manufacturing, with output increasing by 3.2% in total. In the services sector the largest contributions to growth came from administrative and support services, where output increased by 4.3%, and a 3.6% increase in distribution, hotels and catering. Many industries saw broadly stable growth through 2017 and 2018. In particular, over the last two years there has been a steady recovery in mining and manufacturing following the significant falls in output which occurred after the drop in the oil price in late 2014.

ESTIMATES ON THIS PAGE ARE EXPERIMENTAL STATISTICS

GDP growth by type of expenditure shows domestic demand slowing in 2018

The results below show the breakdown of the GDP expenditure approach in real terms. This provides an alternative perspective to the industry breakdowns discussed on page 5.

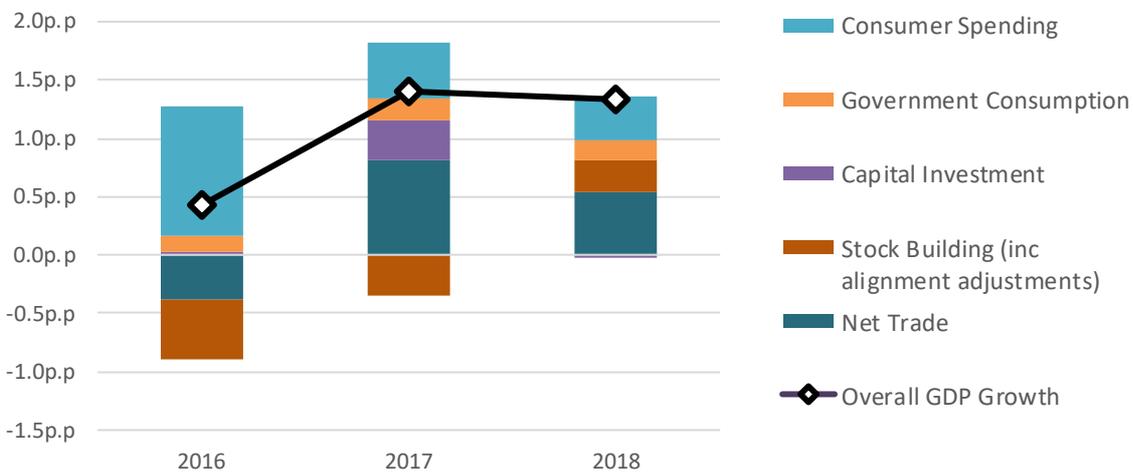
These statistics are new **experimental statistics** and have been included in this release for the first time. The methods and data sources are still in development and the results are provisional.

Annual growth in GDP expenditure components, in volume (real) terms

	Consumer Spending	Government Consumption	Capital Investment	Exports to RUK	Exports to ROW	Imports from RUK	Imports from ROW	Overall GDP Growth
2016	1.7%	0.6%	0.1%	-0.5%	-2.3%	-0.5%	-0.2%	0.4%
2017	0.7%	0.7%	2.0%	2.4%	3.9%	2.4%	-1.2%	1.4%
2018	0.6%	0.7%	-0.2%	2.7%	5.3%	2.7%	1.5%	1.3%

The results indicate that domestic demand in the economy, for consumer spending and capital investment, has slowed over the last two years. This corresponds to a period of higher price inflation, and there has been reported uncertainty from consumers and business. The chart below illustrates how these trends have resulted in smaller contributions to overall GDP growth.

Expenditure contributions to growth (percentage points of GDP growth)

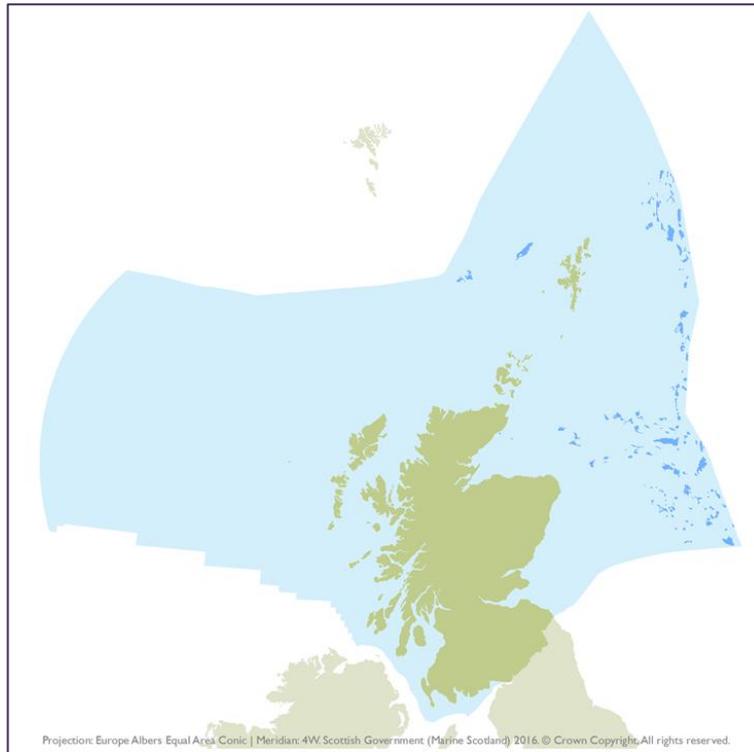


Whilst domestic demand has slowed, the largest contribution to growth in 2017 and 2018 has been from an improvement in the net trade balance. There are two parts to this. Exports – particularly manufactured exports – have increased strongly since 2016. At the same time, the weaker period of domestic demand is linked to slower growth in imports.

Full results are available in the accompanying tables. Users are advised that estimates for 1998-2015 are more uncertain than for recent years. Further review and adjustment to these results will be possible when the annual national accounts are open for revision in the next release.

GDP per person was £32,800 in 2018, including offshore oil & gas

The Scottish adjacent waters boundary illustrates the extent of Scotland's economy



In 2018, the value of Scotland's onshore GDP in current prices is estimated at £162.4 billion, or £29,800 per person (unadjusted for inflation).

Including oil and gas extraction in Scottish waters, Scotland's GDP is estimated at £178.6 billion, or £32,800 per person.

Experimental offshore GDP and trade statistics have been updated for 2017

Most economic statistics for Scotland, including in this release, relate to Scotland's onshore economy only. In 2018, the Scottish Government produced the first set of economic statistics which fully factor in the supply chain and trade links between the offshore and onshore parts of the economy, and which includes estimates for Scotland's total exports and imports including the North Sea.

An update has been released for these data which now includes estimates up to 2017. These results can be found online at the [Whole of Scotland Economic Accounts Project](#)

This release is designated as **experimental statistics**. These are defined as new official statistics undergoing development and testing. The methods, data sources and results are open for ongoing consultation with users, and we welcome feedback on all aspects of the release.

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 4, GDHI is estimated to have increased by 2.0% in nominal terms compared to the same period last year.

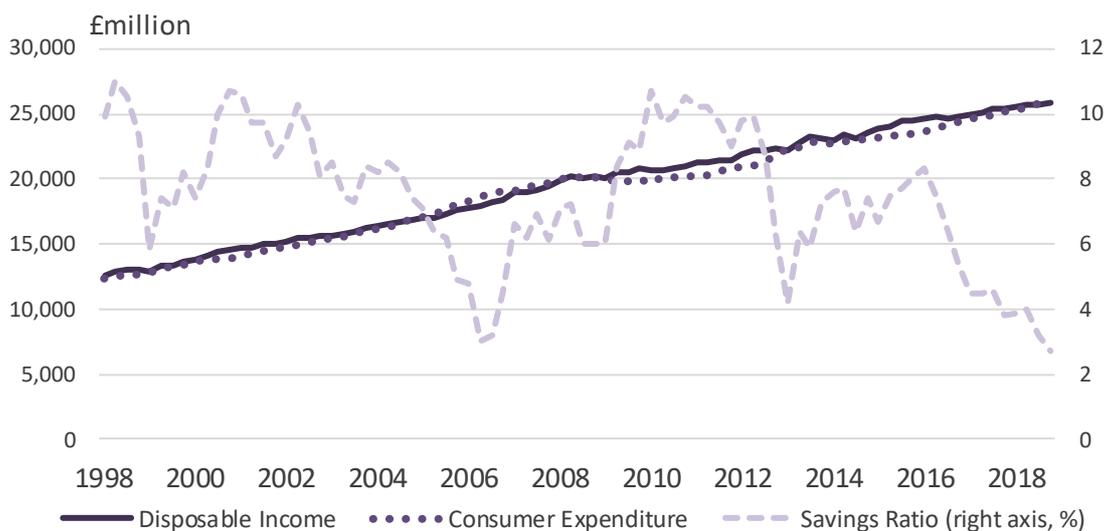
Household Savings Ratio

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, or of savings accounts balances.

In 2018 Q4, Household Expenditure is estimated to have increased by 3.0% compared to the same period last year (without adjusting for inflation), whereas disposable income increased by only 2.0%. Spending is estimated to have increased by more than disposable income, meaning that the capacity for 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 2.7%, and has fallen from 3.8% in the same quarter last year.

Household sector income, expenditure and saving



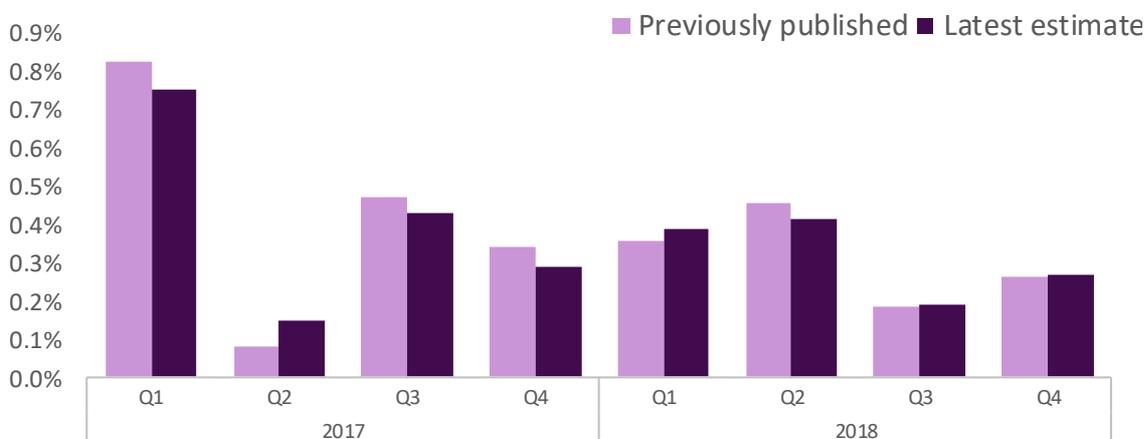
Revisions

In this release, estimates of Scotland’s GDP growth are open to revisions back to 2017 Quarter 1. This includes updates made to the latest quarter since the First Estimate published on 20 March.

These routine revisions include updates to remain consistent with the (also revised) UK Quarterly National Accounts, updated renewable electricity data and seasonal adjustment, 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



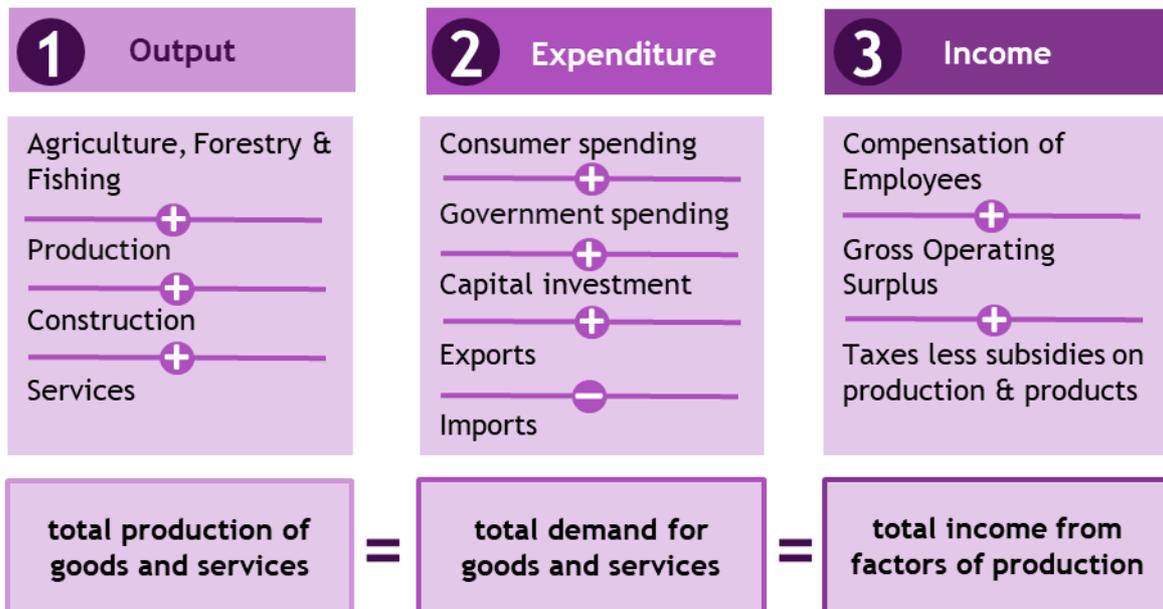
The main cause of these revisions is updates to data for the financial services and construction industries, consistent with the latest UK GDP statistics. There have been downward revisions to the reported quarterly growth rates for 2017 Q3 and 2018 Q2, each from 0.5% to 0.4%, along with small revisions to other quarters which have not changed the growth rates. These downward revisions to quarterly growth have also led to a downward revision in the annual growth rate, from 1.4% to 1.3% for 2018.

In other components of GDP the main revision in this release is to Household Final Consumption Expenditure due to the inclusion of Living Costs and Food Survey data for 2016. The updated data has resulted in a downward revision to consumer spending from 2016 onwards, and consequently an upward revision to the Household Savings Ratio during the same periods.

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

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. Estimates of onshore GDP in **real terms** are available using the output approach, and in addition, from this release onwards, are also available for the expenditure approach as experimental statistics.

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.

Development Plan

The Scottish Fiscal Commission published its first annual Statement of Data Needs on 5 September 2018 ([link](#)). The statement outlines the data the SFC requires 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, 2019 Quarter 1

19 June 2019

GDP Quarterly National Accounts, 2019 Quarter 1

7 August 2019

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A National Statistics publication for Scotland

Quarterly National Accounts for Scotland was assessed by the Office for Statistics Regulation (OSR) and designated as National Statistics in January 2014, signifying compliance with the Code of Practice for Official Statistics. Assessment Report 272 can be found at <https://www.statisticsauthority.gov.uk/publication/quarterly-national-accounts-scotland/>.

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.

Since the assessment there has been a programme of continuous improvement to the Quarterly National Accounts, including to the data used for capital investment and earnings, and improved communication of the results. Some developments are ongoing and are clearly identified as experimental statistics in the release.

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