

## ECONOMY AND LABOUR MARKET

# GDP Quarterly National Accounts, Scotland

## 2019 Quarter 1 (January-March)

7 August 2019

This publication includes the updated second estimate of onshore GDP growth in real terms, additional breakdowns of GDP, and key household sector statistics. In this release, there are also updates and revisions to annual and quarterly GDP growth and national accounts data back to 1998.

### Headline results



Scotland's GDP grew by 0.6% in real terms during the first quarter of 2019 compared to the previous quarter, revised up from the first estimate of 0.5%. The equivalent growth rate for the UK as a whole was 0.5%.



Compared to the same quarter last year, Scotland's GDP has grown by 1.5%, revised up from the first estimate of 1.4%. Equivalent UK growth over the year was 1.8%.



In 2018, the latest estimate of Scotland's annual GDP growth is 1.4% compared to 2017. Equivalent annual UK growth was 1.4%.



As reported in the first estimate, the largest single contribution to growth this quarter was the manufacturing sector (+2.3%), with particularly strong performances in the Pharmaceuticals and Drink industries. This strength is also seen in the estimates for manufactured exports to the rest of the world, which increased by a total of 1.4% in the latest quarter.



Over the latest year, the level of households' disposable income has increased by 3.9% in current prices (unadjusted for inflation), while consumer spending has increased by 2.2%. As a result, the household savings ratio is estimated to have increased to 3.4%, up from 2.3% at the same point last year. This indicates that the savings ratio may be stabilising after falling sharply in recent years.

## 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 2019 Quarter 1 (January-March), which uses additional data released since the GDP First Estimate published on 19 June. This release is comparable to the UK Quarterly National Accounts for Quarter 1.

This publication also includes the annual updates to data sources and industry weights following the publication of the annual Supply and Use Tables for 1998-2016 on 24 July 2019. As a result, all estimates, including GDP growth, have been open for revision back to 1998.

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
- Experimental statistics estimates of the expenditure approach to GDP in real terms, including the Index of Manufactured Exports (IME)
- Household Sector income and expenditure accounts for Scotland, including Gross Disposable Household Income (GDHI) and the Savings Ratio
- Public sector revenues.

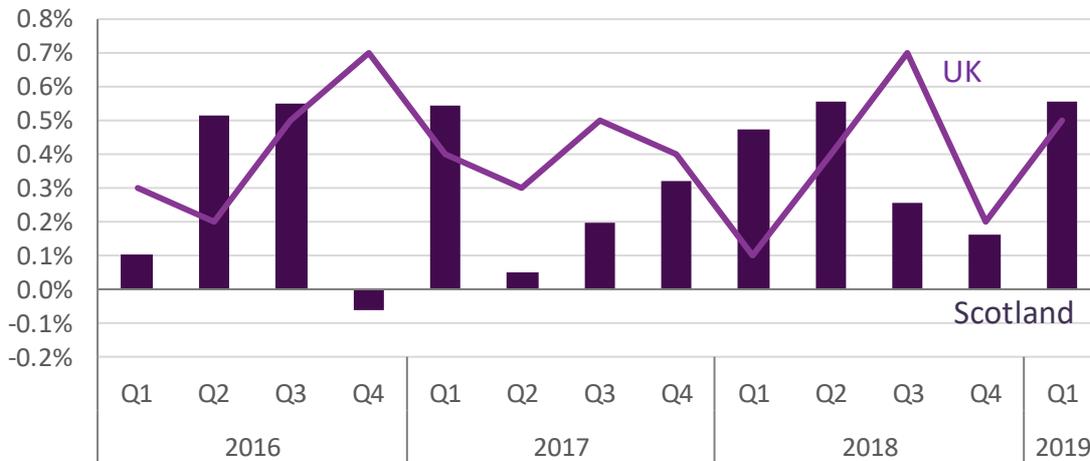
### Data

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 0.6% during the first quarter of 2019

GDP percentage change compared to the previous quarter



GDP grew by 0.6% in real terms during the first quarter of 2019 compared to the previous quarter, revised up from the first estimate of 0.5% published on 19 June. Over the same period, UK GDP grew by 0.5%.

As reported in the first estimate, the largest single contribution to growth this quarter was the manufacturing sector, with total output increasing by 2.3% in real terms. There were particularly strong performances in the output and exports of the Pharmaceuticals and Drink industries, which have been linked to potential stockpiling, and these accounted for nearly half of the total growth seen in Scottish GDP this quarter. The strong manufacturing output is reflected in manufactured exports to the rest of the world, which increased by a total of 1.4% in the latest quarter.

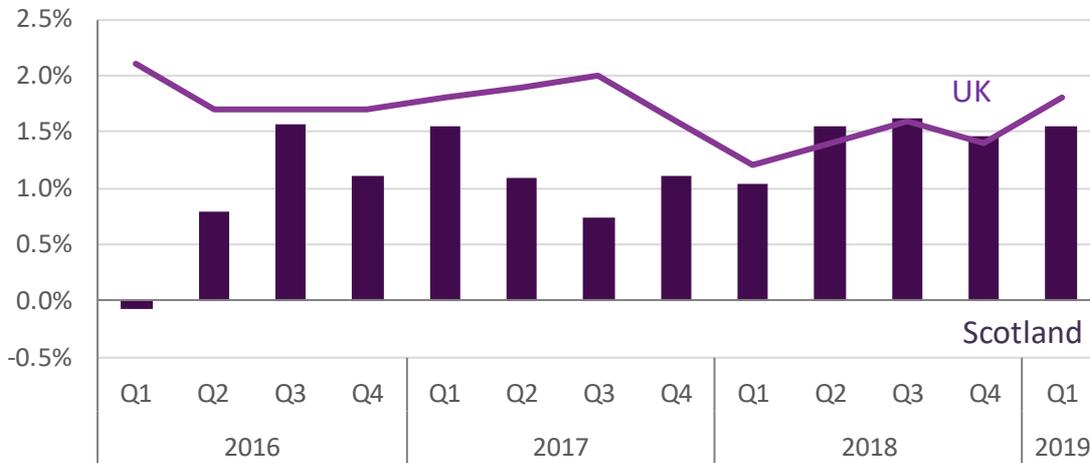
Further information on revisions in the latest quarter is available on page 9.

GDP growth compared to previous quarter by sector (%)

		2018				2019
		Q1	Q2	Q3	Q4	Q1
Real terms	Agriculture, forestry & fishing	-0.5	-1.5	-1.1	-0.8	0.8
	Construction	-1.5	0.7	1.6	0.0	0.4
	Production	1.1	1.1	-0.1	-1.4	2.0
	Services	0.5	0.5	0.3	0.5	0.2
	<b>Whole economy</b>	<b>0.5</b>	<b>0.6</b>	<b>0.3</b>	<b>0.2</b>	<b>0.6</b>

Onshore GDP has grown by 1.5% compared to the same period a year earlier

GDP percentage change compared to same quarter last year



Compared to the first quarter of 2019, Scotland’s onshore GDP has grown by 1.5%, revised up from the first estimate of 1.4%. Equivalent UK growth over the year was 1.8%. The growth rate over the year is based on how much GDP has changed in total across the latest four quarters.

The latest quarter continues a period of relatively stable growth for Scotland since mid-2016, following a weaker period after the fall in oil prices in late 2014.

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

		2018				2019
		Q1	Q2	Q3	Q4	Q1
Real terms	Agriculture, forestry & fishing	0.5	-2.4	-3.7	-3.8	-2.6
	Construction	-0.9	-1.7	1.2	0.8	2.7
	Production	3.0	4.1	3.2	0.8	1.6
	Services	0.8	1.3	1.4	1.8	1.5
	<b>Whole economy</b>	<b>1.0</b>	<b>1.6</b>	<b>1.6</b>	<b>1.5</b>	<b>1.5</b>

## In 2018, Scotland's annual onshore GDP growth was 1.4% compared to 2017

Annual GDP percentage change compared to previous year



In 2018, the latest estimate is that Scotland's annual onshore GDP grew by 1.4% compared to 2017. 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 also 1.4%.

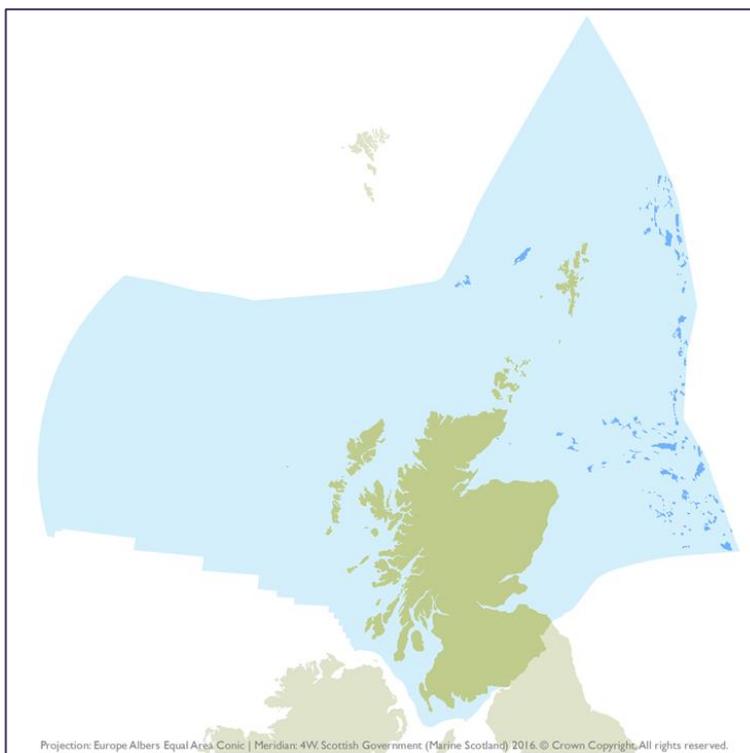
## GDP growth by industry sector has been broad based in 2017 and 2018

During 2018 there was growth in most of the main industry sectors across the economy, with the exception of Construction and Agriculture. The most influential sector was manufacturing, with output increasing by 3.5% 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 2.1% increase in financial services. Many industries saw broadly stable growth through 2017 and 2018. In particular, over the last two years there has been a recovery in mining and manufacturing following the significant falls in output which occurred after the drop in the oil price in late 2014.

New **experimental statistics** 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 reported uncertainty from consumers and business. Whilst domestic demand has slowed, there has been a positive contribution to growth in 2017 and 2018 from 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.

In 2018, annual GDP per person was £32,900 including offshore oil & gas

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



In 2018, the latest estimate of the annual value of Scotland's onshore GDP in current prices (i.e. not adjusted for inflation) is estimated at £163.3 billion, or around £29,900 per person.

Including oil and gas extraction in Scottish waters, Scotland's GDP is estimated at £179.5 billion, or around £32,900 per person. GDP per head for the UK as a whole was around £31,900.

### Additional measures of economic activity and wellbeing

GDP (or GDP per person) is the most widely known indicator of economic activity and is frequently used to make comparisons between places or over time. There are also a range of other measures which can be used to indicate different aspects of economic activity and wellbeing.

Within this publication, Gross Disposable Household Income (Page 7) is the most direct measure of the money earned by people in Scotland, including income earned in other parts of the UK or abroad, and accounting for transfers such as pensions, taxes and benefits.

Gross National Income (GNI) is a measure which accounts for income flows between countries or territories, such as outflows of profits generated by foreign owned companies. Experimental estimates of GNI are available at [gov.scot/Topics/Statistics/Browse/Economy/SNAP/GNI](https://gov.scot/Topics/Statistics/Browse/Economy/SNAP/GNI)

Labour productivity statistics, which report GDP per job, per employee or per hour worked are available at [gov.scot/Topics/Statistics/Browse/Economy/Productivity](https://gov.scot/Topics/Statistics/Browse/Economy/Productivity)

Looking beyond GDP and the economy, Scotland's National Performance Framework (NPF) includes a range of economic, social and environmental indicators which give a wider indication of national wellbeing. Further information can be found at [nationalperformance.gov.scot](https://nationalperformance.gov.scot)

## 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 earnings and 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 onshore GDP.

In 2019 Quarter 1, GDHI is estimated to have increased by 3.9% in nominal terms compared to the same period last year. During 2018 as a whole, GDHI is estimated to have increased by 1.9% in total.

In this release, GDHI has been open for revision back to 1998 and is now consistent with the Regional GDHI estimates for 1997-2017 published by ONS on 22 May 2019.

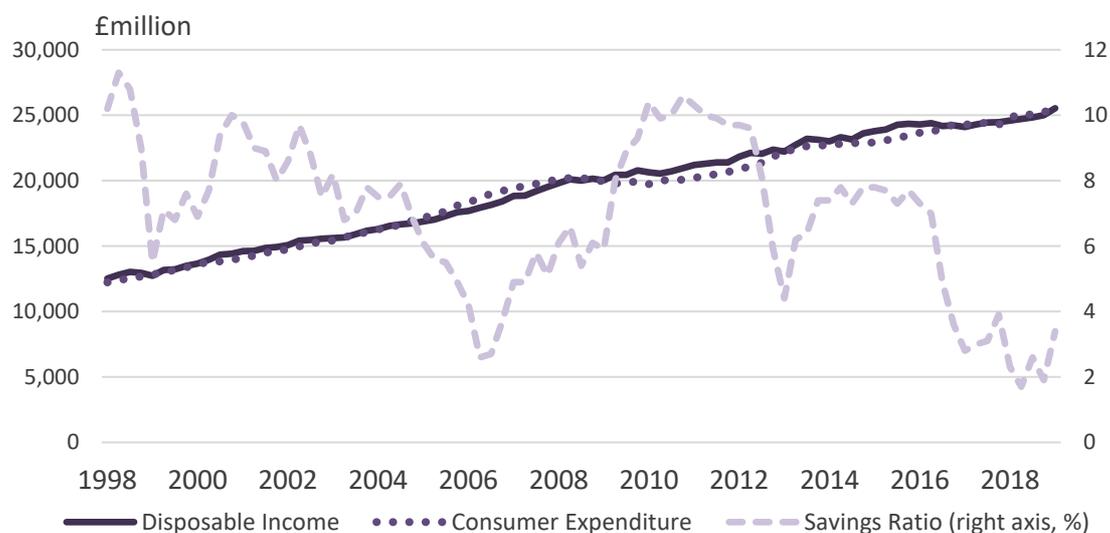
## Household Savings Ratio

In National Accounts, the term saving is used to describe residual income calculated by subtracting Household consumer expenditure from Disposable Income. This represents funds which are available for adding to savings or paying off debt. It is not a measure of actual deposits made to savings accounts, or of savings accounts balances.

In 2019 Q1, Household Expenditure is estimated to have increased by 2.2% compared to the same period last year (without adjusting for inflation), whereas disposable income increased by 3.9%. Spending is estimated to have increased by less than disposable income, meaning that the capacity for saving has increased this quarter.

The Household Savings Ratio is another way of presenting this saving as a proportion of disposable income. In the latest quarter, the Household Savings Ratio in Scotland is estimated at 3.4%, up from 2.3% in the same quarter last year. This indicates that the savings ratio may be stabilising after falling sharply in recent years.

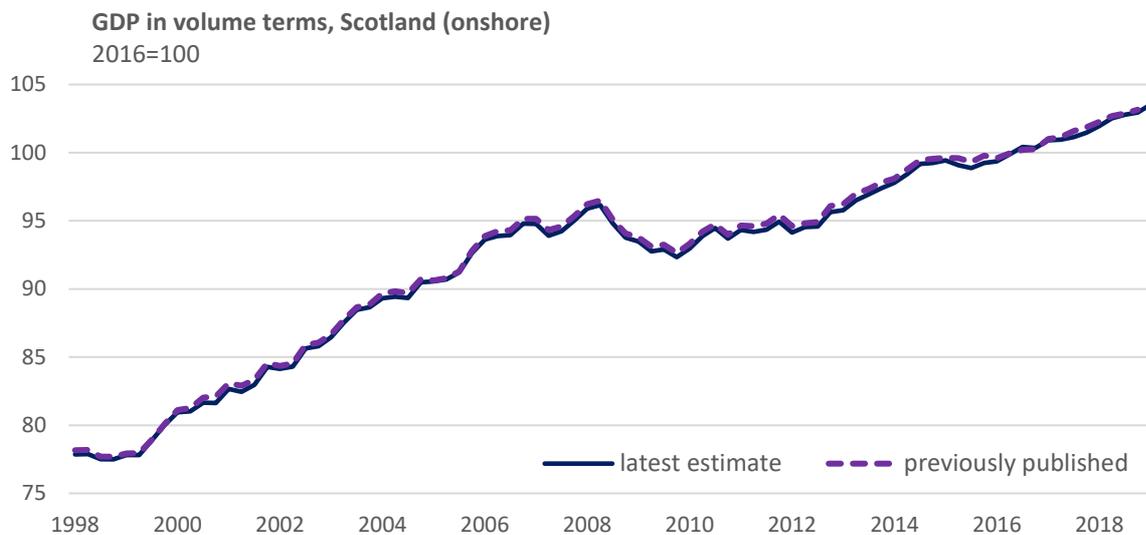
Household sector income, expenditure and saving



## GDP and its components have been open to revision back to 1998

In this release, Scotland’s GDP in volume terms has been open for revision in all periods back to 1998. This includes updates made to the latest quarter since the First Estimate published on 19 June, and also includes the annual updates to data sources and industry weights following the publication of the annual Supply and Use Tables for 1998-2016 on 24 July 2019.

The chart below compares the latest estimate of the level of GDP to the previous estimate published in June. Details of revisions to individual years and quarters are available in GDP Table R1.1. Whilst there are some revisions in all years, there is no significant revision to longer-term trends in GDP.

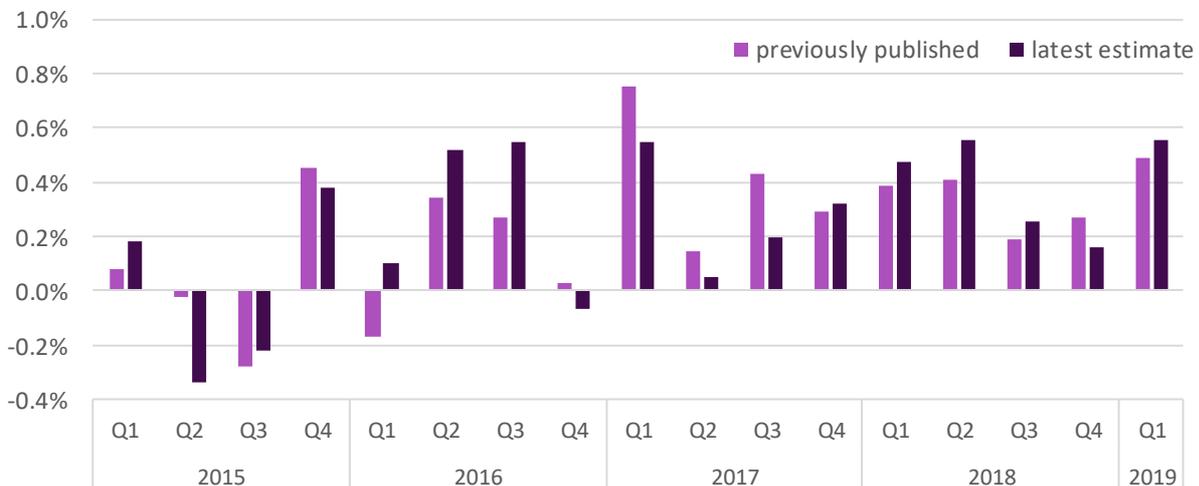


The main periods subject to revision are during the years 2015-2017 (see page 9) due to the updating of annual data sources such as the Annual Business Survey (ABS) which underpin the Supply and Use Tables and are used as annual data benchmarks for output series.

- The Supply and Use Tables for 2015 are now based on the final version of the ABS for 2015 and are less likely to be revised in future years.
- Estimates for 2016 are now based on revised ABS and fully balanced Supply and Use Tables for the first time. This is now the base year for all components of GDP.
- Estimates for 2017 are now based on the provisional ABS for many manufacturing, construction and services industries. These will be updated again over the next two years. There have also been updates to the annual data for industries such as public administration, education, health and social care made from 2016-onwards.

The latest estimate of quarterly growth for each period back to 2015 Quarter 1 is compared to the previously published estimate in the chart below. This highlights the main periods which have been revised in the results.

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



In the latest quarter, routine revisions include updates to remain consistent with the (also revised) UK Quarterly National Accounts, updated renewable electricity data and banking data from the ONS and Bank of England which have become available since the publication of the first estimate on 19 June. There are smaller revisions across the manufacturing and services industries from late or updated business survey returns.

GDP growth in 2019 Q1 has been revised up from 0.5% to 0.6%. This is due to a downward revision in construction (from 2.0% to 0.4%) being outweighed by upward shifts in the much larger production and services sectors (from 1.8% to 2.0% and 0.1% to 0.2% respectively)

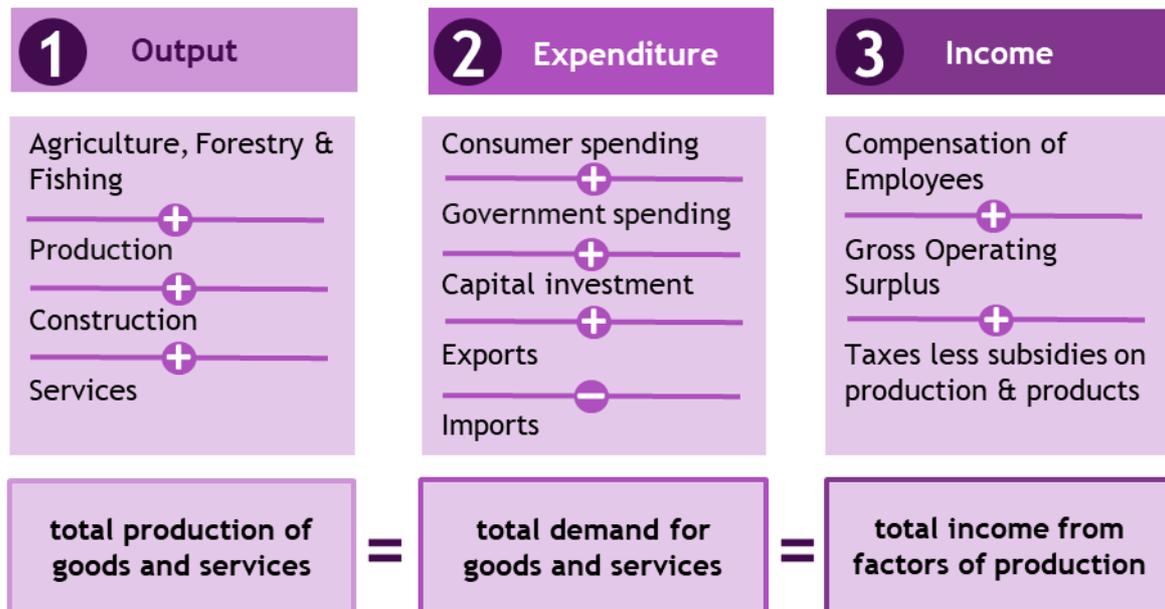
The largest contribution to this revision is from updated banking data which shows a higher proportion of UK banking output from banks with a Scottish presence than previously estimated. Similarly, updated wind-generated electricity data is higher than initially estimated, and output of mining and quarrying has been updated in line with UK estimates for mining support services. These upward revisions have outweighed the revisions down to construction from a fall in the Scottish employment share and lower than initially estimated UK control data.

In other components of GDP and the national accounts, the main revisions are also due to the updated base year and annual tables. In particular, there have been improvements to the methods and data sources for General Government expenditure, and the introduction of more up to date Living Costs and Food Survey data to the Household expenditure estimates. These updates have resulted in an overall downward revision to domestic demand, with a consequential revision down to the level of imports. There have also been updates to incorporate the latest Regional GDHI statistics from ONS, which have resulted in downward revisions from 2016 onwards.

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 are now 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 2

18 September 2019

GDP Quarterly National Accounts, 2019 Quarter 2

30 October 2019

[gdp\\_stats@gov.scot](mailto:gdp_stats@gov.scot)

[@ScotGovOCEA](https://twitter.com/ScotGovOCEA)

## 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.

## Correspondence and enquiries

For enquiries about this publication, please contact:

John Dowens,  
National Accounts Unit,  
Office of the Chief Economic Adviser

e-mail: [john.dowens@gov.scot](mailto:john.dowens@gov.scot)  
or [economic.statistics@gov.scot](mailto:economic.statistics@gov.scot)

For general enquiries about Scottish Government statistics please contact:  
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