

ECONOMY AND LABOUR MARKET

GDP Quarterly National Accounts, Scotland

2019 Quarter 2 (April-June)

30 October 2019

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

Headline results



Scotland's GDP is estimated to have fallen by 0.2% in real terms during the second quarter of 2019, revised up from the first estimate of a 0.3% fall. The equivalent growth rate for the UK as a whole was a fall of 0.2%.



Compared to the same quarter last year, Scotland's GDP has grown by 0.6%, revised down from the first estimate of 0.7%. Equivalent UK growth over the year was 1.3%.



For 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 published in September, the largest contributions to falling output were in Manufacturing, particularly in industries which had seen large increases at the start of the year linked to stockpiling behaviour.



Over the latest year, the level of households' disposable income has increased by 4.2% in current prices (unadjusted for inflation), while consumer spending is estimated to have increased by 0.7%. As a result, the household savings ratio has increased to 5.0 per cent, up from 1.7 per cent at the same point last year. This indicates that whilst consumer spending has slowed, the savings ratio may have begun to recover after falling sharply in 2017 and 2018.

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 2 (April-June), which uses additional data released since the GDP First Estimate published on 18 September. This release is comparable to the UK Quarterly National Accounts for Quarter 2.

This publication also includes routine updates to data for previous quarters. As a result, all estimates, including GDP growth, have been open for revision back to 2017 Q1.

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

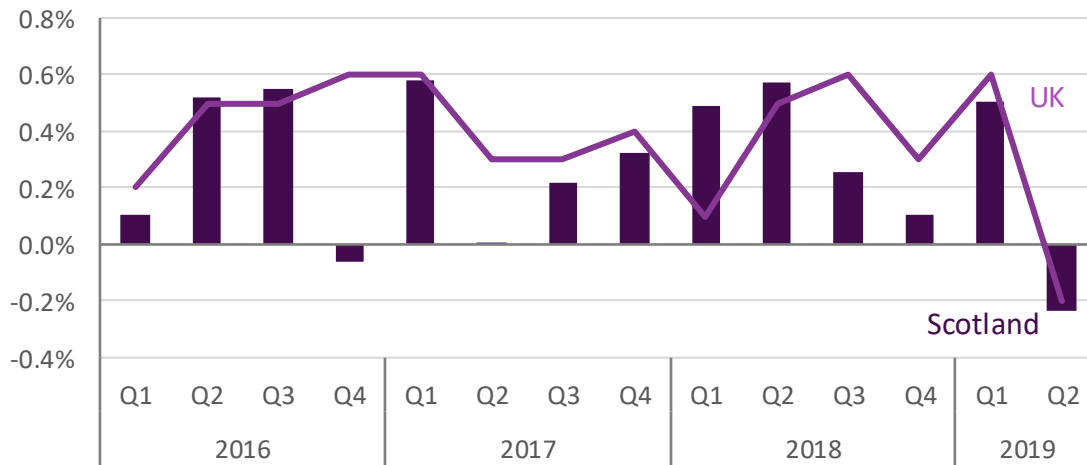
This publication includes summaries of key results from the latest statistics.

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

Scotland's onshore GDP fell by 0.2% during the second quarter of 2019

GDP fell by 0.2% in real terms during the second quarter of 2019 compared to the previous quarter, revised up from the first estimate fall of 0.3% published on 18 September. Over the same period, GDP for the UK as a whole fell by 0.2%.

GDP percentage change compared to the previous quarter



In the latest quarter, Services output increased by 0.2%, while output in the Production and Construction sectors decreased by 1.5% and 2.4% respectively.

As reported in the first estimate, the largest contributions to falling output were in Manufacturing, which was also the largest contribution to positive growth in the previous quarter. In Quarter 1, two industries – manufacture of spirits and pharmaceuticals – accounted for nearly 0.3 percentage points of growth (around half of the total for the quarter), whereas in Quarter 2 the same industries account for around 0.3 percentage points of falling GDP. This pattern has been linked to stockpiling behaviour ahead of the UK's original planned deadline to leave the European Union in March, followed by reduced activity in the latest period.

GDP growth compared to previous quarter by sector (%)

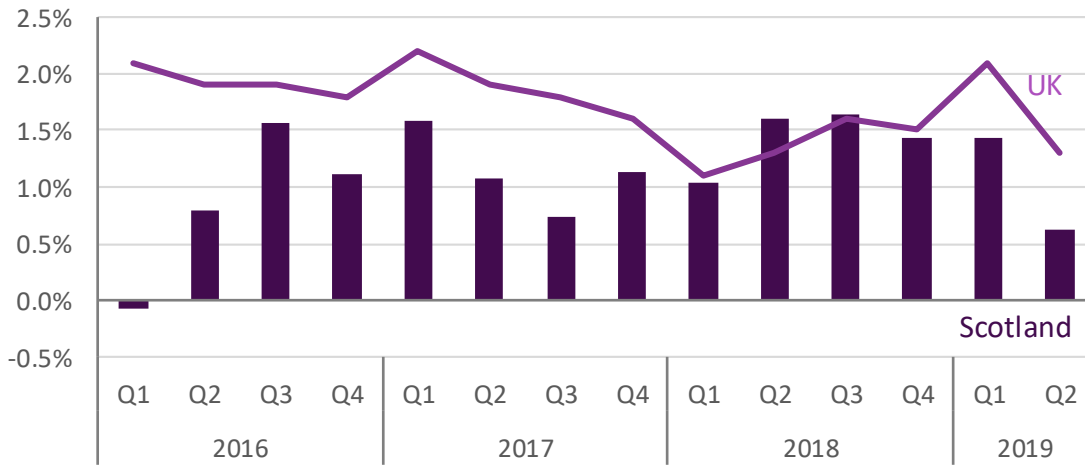
		2018			2019	
		Q2	Q3	Q4	Q1	Q2
Real terms	Agriculture, forestry & fishing	-1.9	-0.7	-1.2	0.9	0.3
	Construction	1.0	0.6	0.6	0.1	-2.4
	Production	1.3	-0.3	-1.5	2.0	-1.5
	Services	0.4	0.4	0.5	0.2	0.2
	Whole economy	0.6	0.3	0.1	0.5	-0.2

Onshore GDP has grown by 0.6% compared to the same period a year earlier

When compared to the second quarter of 2018, Scotland’s onshore GDP has grown by 0.6%, revised down from the first estimate of 0.7%. Equivalent UK growth over the year was 1.3%.

The growth rate over the year is based on how much GDP has changed in total across the latest four quarters. The result for the latest quarter reflects a slowing of growth since mid-2018.

GDP percentage change compared to same quarter last year



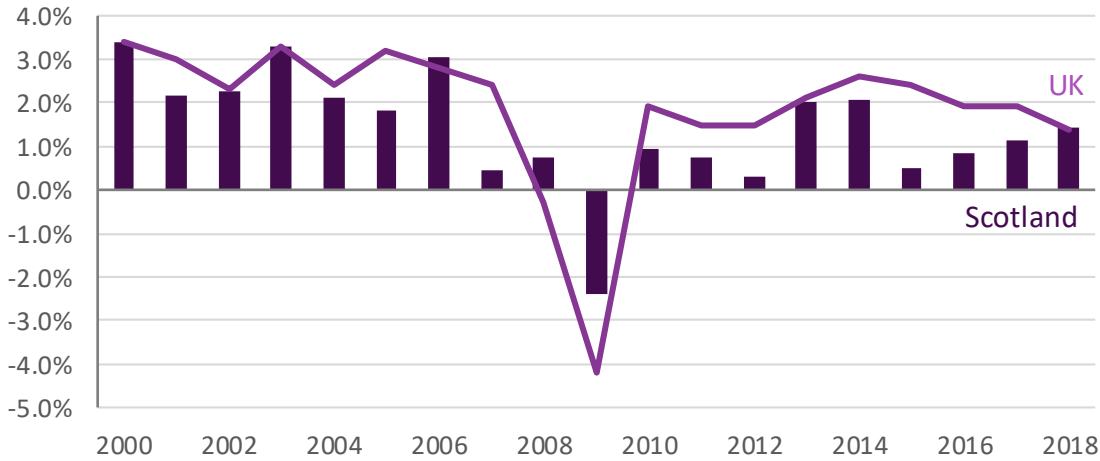
When compared to the same quarter last year, output in the Services sector has increased by 1.2%, while output has fallen in the Production sector by 1.4% and in the Construction sector by 1.1%.

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

		2018			2019	
		Q2	Q3	Q4	Q1	Q2
Real terms	Agriculture, forestry & fishing	-7.3	-7.3	-6.0	-2.8	-0.6
	Construction	-1.1	1.1	1.0	2.3	-1.1
	Production	4.3	3.1	0.5	1.4	-1.4
	Services	1.4	1.5	1.8	1.4	1.2
	Whole economy	1.6	1.6	1.4	1.4	0.6

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%.

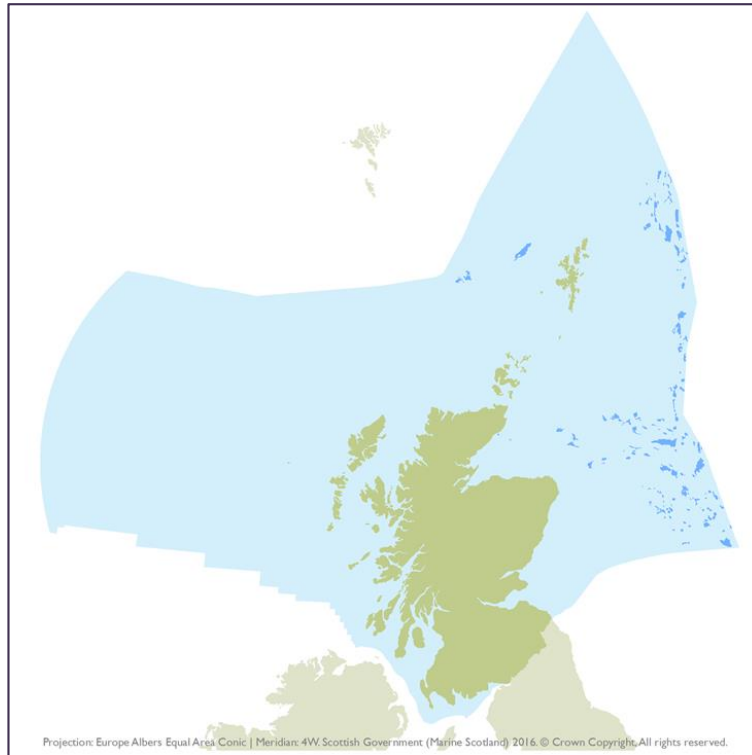
GDP growth by industry sector was broad based in 2017 and 2018

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 3.4% in total. In the services sector the largest contributions to growth came from administrative and support services, where output increased by 3.8%, and a 2.0% increase in financial services. While construction output levelled off and has been broadly flat since the start of 2017, 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** of the expenditure approach to GDP in real terms indicate that domestic demand in the economy, for consumer spending and capital investment, 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 was 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 – 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 £33,200 including offshore oil & gas

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



For 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 £163.6 billion, or around £30,100 per person.

Including oil and gas extraction in Scottish waters, Scotland’s GDP is estimated at £180.4 billion, or around £33,200 per person. GDP per head for the UK as a whole was around £32,200.

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 www2.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 www2.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

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 2, GDHI is estimated to have increased by 4.2% in nominal terms compared to the same period last year. During 2018 as a whole, GDHI is estimated to have increased by 2.7% in total.

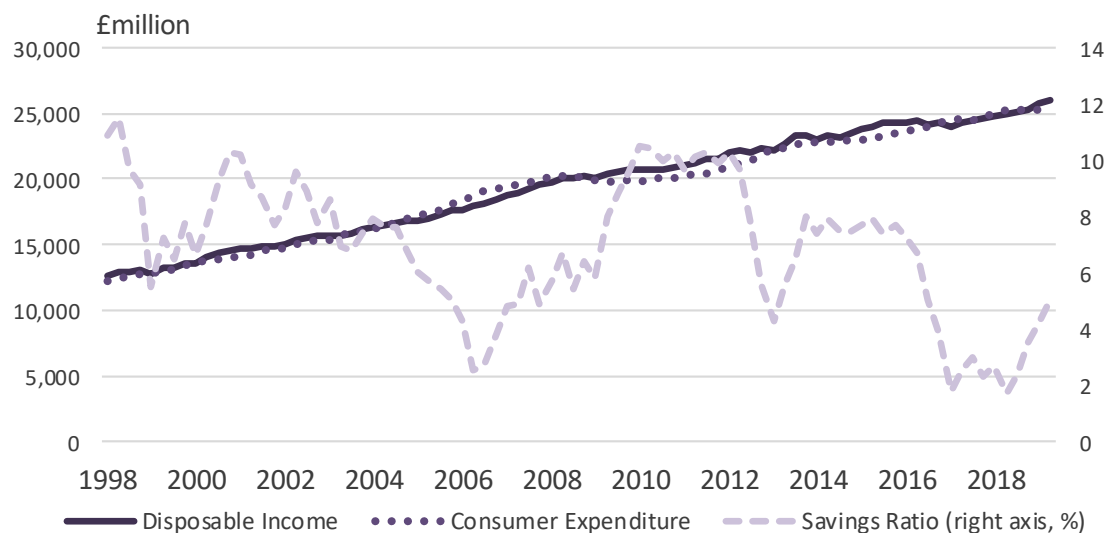
Household Savings Ratio

In National Accounts, saving is defined as 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 Q2, household expenditure is estimated to have increased by 0.7% compared to the same period last year (without adjusting for inflation), whereas disposable income increased by 4.2%. 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 5.0 per cent, up from 1.7% in the same quarter last year. This indicates that whilst consumer spending has slowed, the savings ratio may have begun to recover after falling sharply in 2017 and 2018.

Household sector income, expenditure and saving

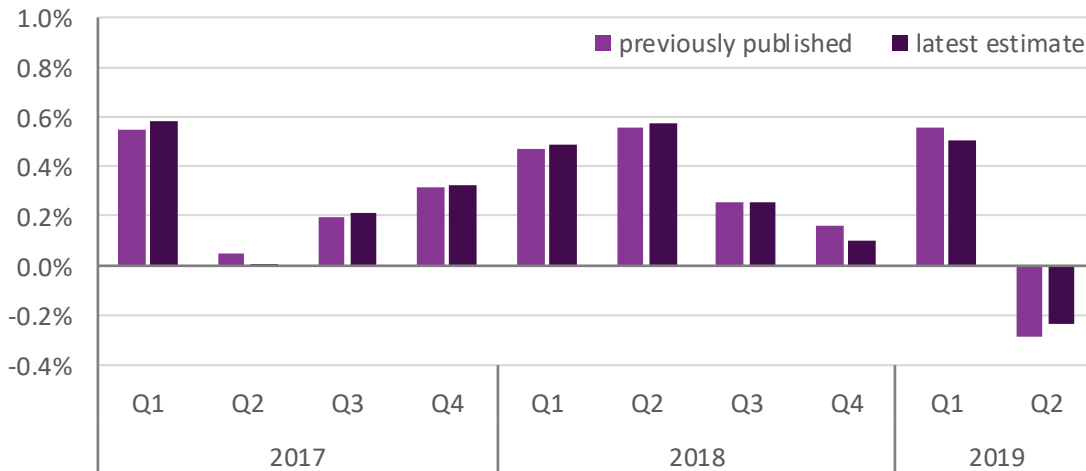


GDP and its components have been open to revision back to 2017

In this release, Scotland’s GDP in volume terms has been open for revision in back to 2017. This includes routine updates made to the latest quarter since the First Estimate published on 18 September.

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



At the level of one decimal place, the latest quarter has been revised up by 0.1%, while there have been downward revisions of 0.1% in 2018 Q4 and 2019 Q1. Taken across the year, this has led to the downward revision of 0.1% in annual terms, compared to the same period last year.

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, and updated employment data for the construction industry. There are revisions across the manufacturing and services industries from late or updated business survey returns.

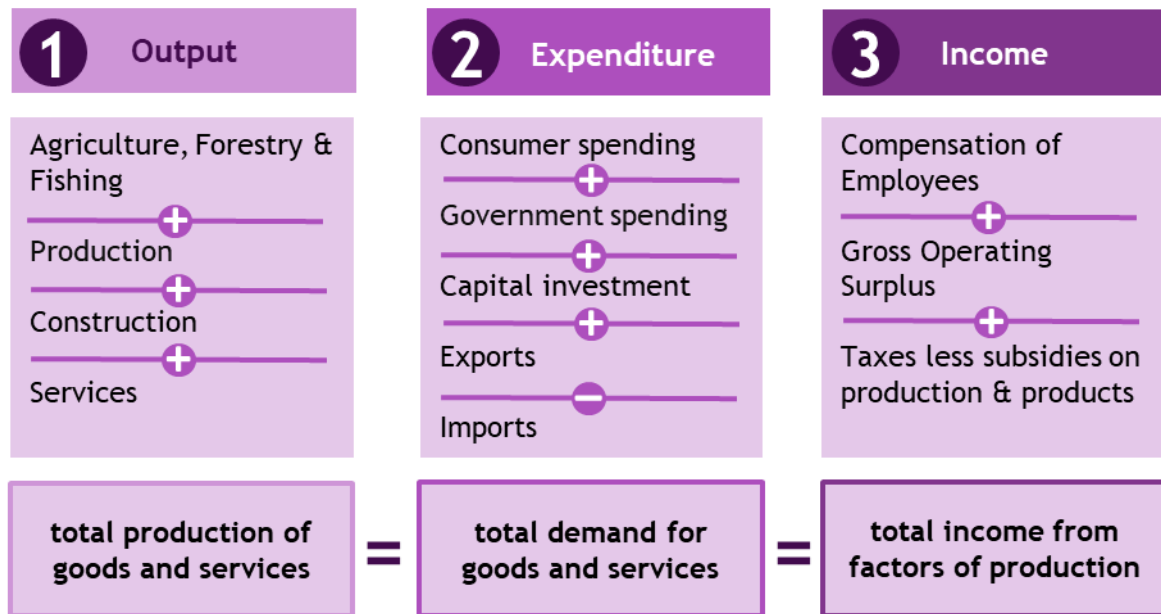
GDP growth in 2019 Q2 has been revised up from -0.3% to -0.2%. This is due to upward revisions in the services sector outweighing downward revisions in construction and production.

In other components of GDP and the national accounts, annual revisions are open back to 2017, and quarterly results can be revised back to 1998 (although these cancel out to zero for each year). In this release, there are revisions across the income and expenditure components of GDP which follow the updates to the UK national accounts for the Blue Book 2019. These updates have resulted in an overall upward revision to domestic demand in 2017, with a consequential revision up to the level of imports to ensure that supply and demand are balanced. Revisions in 2018 largely cancel out with no impact on the trade balance in this year.

Information on the publication model for Scotland’s GDP, including the 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 publish an annual Statement of Data Needs ([link](#)). These outline the data the SFC requires for its forecasts and highlights priorities for new or improved data. Information on the plans relating to these priorities is available [here](#).

Next publications

GDP First Estimate, 2019 Quarter 3

18 December 2019

GDP Quarterly National Accounts, 2019 Quarter 3

29 January 2020

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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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