

ECONOMY AND LABOUR MARKET

GDP Quarterly National Accounts, Scotland

2019 Quarter 4 (October-December)

29 April 2020

This publication contains results which date before the COVID-19 pandemic. It includes the updated second estimate of onshore GDP growth in real terms for the final quarter of 2019, the cash value and additional breakdowns of GDP, and key household sector statistics.

The way that we work is changing in response to COVID-19, and the Scottish Government is developing new monthly economic statistics which will help to track the impact on the economy. Further details can be found on page 9.

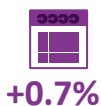
Headline results



Scotland's GDP is estimated to have grown by 0.2% in real terms during the fourth quarter of 2019, unrevised from the first estimate published in March. The equivalent growth rate for the UK as a whole was 0.0%.



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 1.1%.



For 2019, Scotland's annual GDP growth is 0.7% compared to 2018, revised down from the first estimate of 0.8%. Equivalent annual UK growth was 1.4%.

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 4 (October-December), which uses additional data released since the GDP First Estimate published on 18 March. This release is comparable to the UK Quarterly National Accounts for Quarter 4.

This publication also includes routine updates to data for previous quarters. Estimates of GDP growth in real terms have been open for revision back to 2018 Quarter 1, while components of GDP by Income and Expenditure have also been open to revision back to 2017 Quarter 1.

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
- 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.

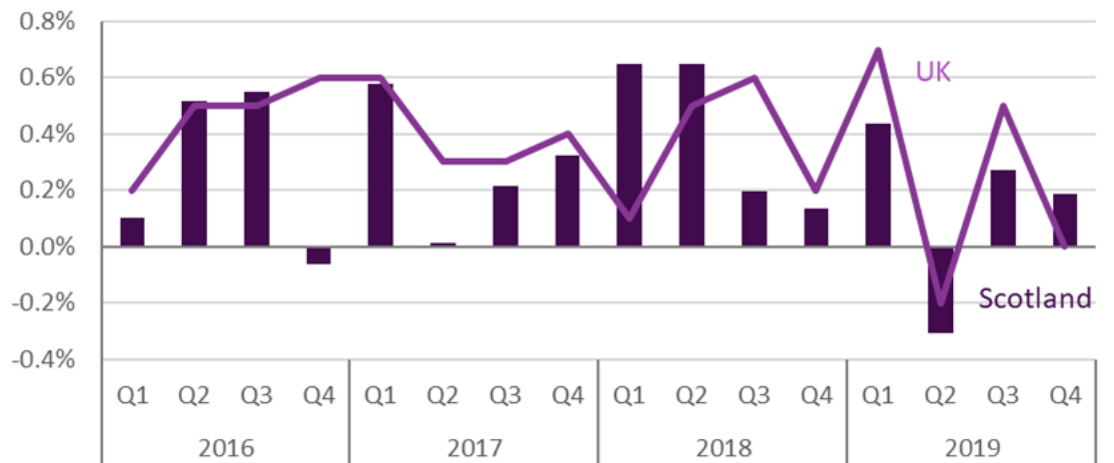
Full results for all components of are available in the following downloadable tables:

1. Onshore GDP by industry in real terms, second estimate (xlsx)
2. Other Quarterly National Accounts Summary Tables (xlsx)
3. Detailed Supplementary Tables (xlsx)

Scotland's onshore GDP grew by 0.2% during the fourth quarter of 2019

GDP grew by 0.2% in real terms during the fourth quarter of 2019 compared to the previous quarter, unrevised from the first estimate published on 18 March. Over the same period, GDP for the UK as a whole grew by 0.0%.

GDP percentage change compared to the previous quarter



In the latest quarter, Services output increased by 0.5%, Production output decreased by 1.4%, and Construction sector output increased by 0.3% compared to the previous quarter.

As reported in the first estimate, the largest positive contributions to growth this quarter was from the financial & business services sector, with output increasing by 0.9% and accounting for 0.25 percentage points of overall GDP growth. Output in the electricity & gas industry made the second largest contribution to growth, decreasing by 4.4% in the quarter and offsetting the positive growth by -0.15 percentage points. Utilities output can be volatile from quarter to quarter depending on electricity generation, and often makes significant positive or negative contributions to quarterly GDP growth.

GDP growth compared to previous quarter by sector (%)

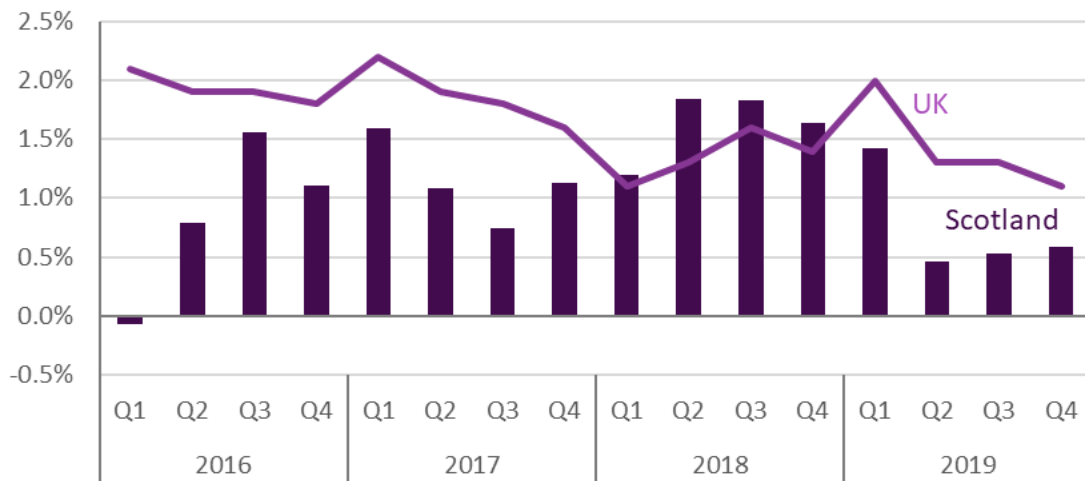
		2018		2019		
		Q4	Q1	Q2	Q3	Q4
Real terms	Agriculture, forestry & fishing	0.5	0.3	0.9	0.3	0.1
	Construction	1.0	0.7	-2.5	-0.1	0.3
	Production	-1.3	2.2	-1.7	0.9	-1.4
	Services	0.4	0.0	0.2	0.1	0.5
	Whole economy	0.1	0.4	-0.3	0.3	0.2

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

When compared to the fourth 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 1.1%.

The growth rate over the year is based on how much GDP has changed in total across the latest four quarters. The results for the latest three quarters reflect the slowing of growth since the end of 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 0.9%, output in the Production sector has decreased by 0.1% and output in the Construction sector has fallen by 1.6%.

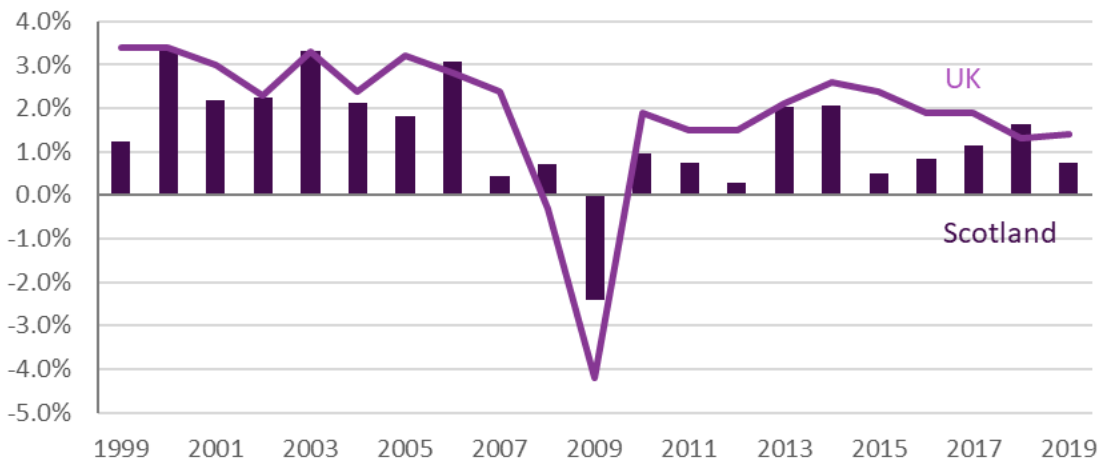
GDP growth compared to the same quarter last year, by sector (%)

		2018		2019		
		Q4	Q1	Q2	Q3	Q4
Real terms	Agriculture, forestry & fishing	-0.3	1.2	2.5	2.0	1.6
	Construction	1.1	2.5	-1.4	-0.9	-1.6
	Production	0.4	1.2	-1.5	0.0	-0.1
	Services	2.0	1.4	1.0	0.7	0.9
	Whole economy	1.6	1.4	0.5	0.5	0.6

In 2019, Scotland’s annual onshore GDP growth was 0.7% compared to 2018

In 2019, the latest estimate is that Scotland’s annual onshore GDP grew by 0.7% compared to 2018. Annual growth in 2019 for the UK as a whole was 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 across eight quarters).

Annual GDP percentage change compared to previous year



GDP growth has slowed in 2019, particularly in the Production sector

After two years of relatively broad-based growth, 2019 saw a slowdown across most parts of the economy. The services sector, which accounts for more than three quarters of GDP, slowed from 1.6% growth in 2018 to 1.0% in the latest year, but with continued expansion in all four of the main sub-sectors. Construction sector output fell slightly in 2019, dropping 0.3%, and has been broadly flat across the last two years. In the production sector, total output fell by 0.1% in 2019. This was mostly due to a 1.5% fall in manufacturing output, offset by increased in the mining and utilities industries. The fall in manufacturing output comes after strong growth in 2017 and 2018.

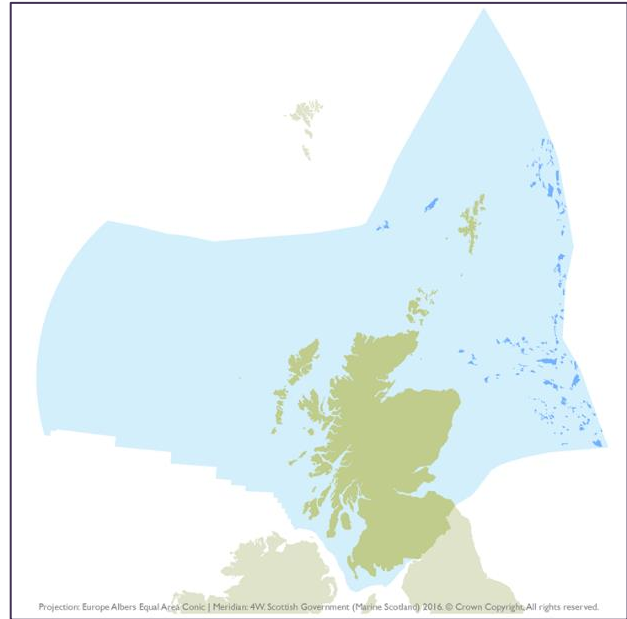
Experimental statistics of the expenditure approach to GDP in real terms indicate that domestic demand in the economy for consumer spending has remained relatively low but stable over the last three years, picking up slightly to 0.4% in 2019. The slowdown in growth in expenditure terms can mostly be seen in a 2.6% fall in gross fixed capital formation and a drop to zero contribution from net trade, after two years in which these aspects of demand made the strongest contributions to growth. These slowdowns are related to the trends in construction and manufacturing seen in the output by industry statistics. Further information on these statistics can be found in table X3 of the Other Quarterly National Accounts Summary Tables download. Experimental statistics are defined as new official statistics in development, and users should be aware that results may be revised in future releases.

In 2019, annual GDP per person was £32,500 including offshore oil & gas

For 2019, the annual value of Scotland's onshore GDP in current prices (i.e. not adjusted for inflation) is £168.1 billion, or around £30,800 per person.

Including oil and gas extraction in Scottish waters, Scotland's GDP for 2019 is estimated at £177.0 billion, or around £32,500 per person. The equivalent value for the UK as a whole is around £33,100.

Although GDP statistics in real terms are available for the onshore economy only, estimates of GDP in nominal terms are produced for both the onshore and wider economy including oil and gas extraction. These are widely used for international comparisons and fiscal analysis. A range of other statistics on oil and gas activity in Scottish waters is available at <https://www.gov.scot/collections/economy-statistics/>.



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

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 4, GDHI is estimated to have increased by 4.2% in nominal terms (without adjusting for inflation) compared to the same period last year. During 2019 as a whole, GDHI is estimated to have increased by 3.6% in total.

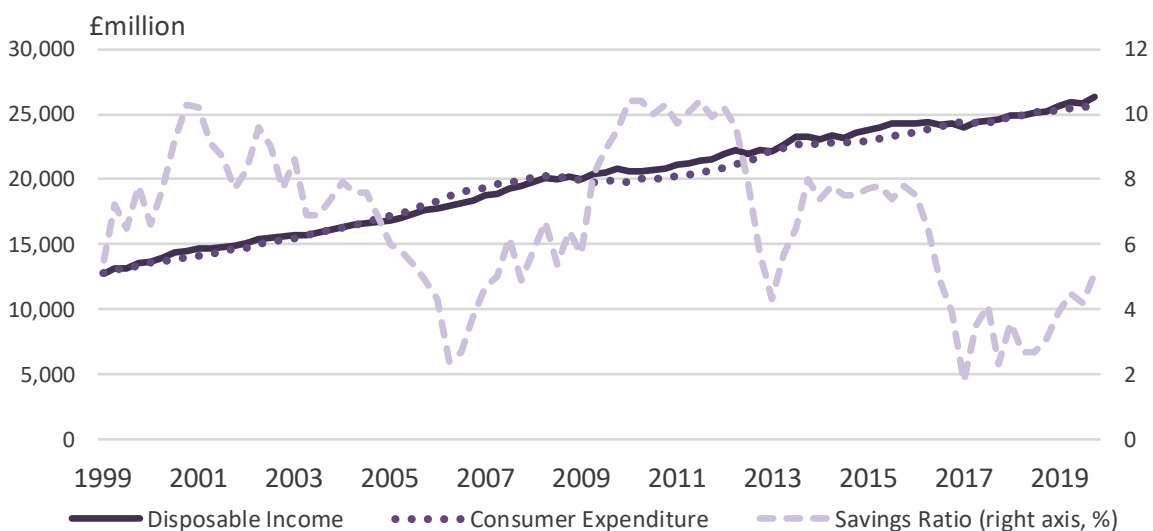
Household Savings Ratio

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 Q4, household expenditure is estimated to have increased by 1.1% 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 over the latest 12 months.

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 5.1 per cent, up from 3.1% in the same quarter last year.

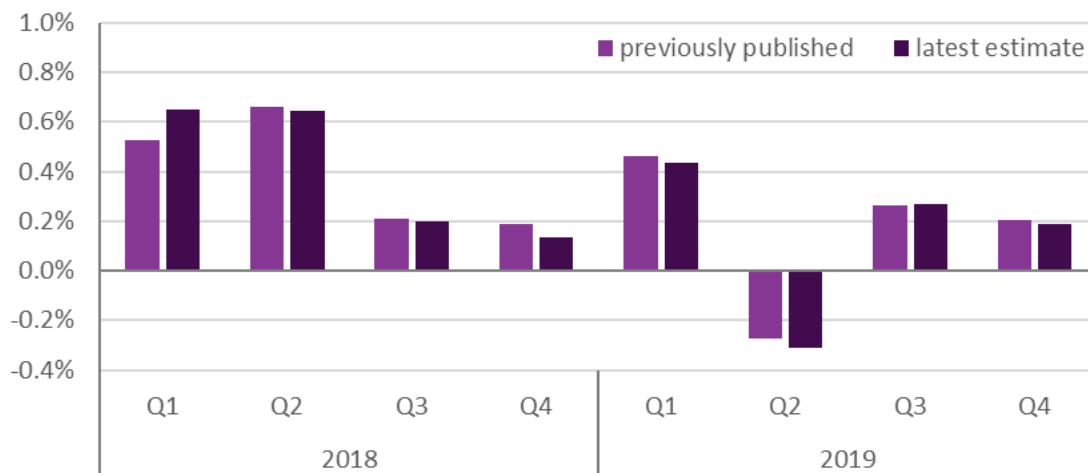
Household sector income, expenditure and saving



GDP growth has been open to revision back to 2018

In this release, Scotland’s onshore GDP in volume terms has been open for revision back to the start of 2018. This includes routine updates made to the latest quarter since the First Estimate published on 18 March. The latest estimates of quarterly growth are compared to the previously published estimates in the chart below.

Latest estimates of quarterly GDP growth compared to previous publication



At the level of one decimal place, there has been a revision up from 0.6% to 0.7% in 2018 Q1, followed by a series of small revisions down between 2018 Q2 and 2019 Q2. The overall impact of these revisions is that annual growth in 2018 has been revised up from 1.5% to 1.6%, and growth in 2019 has been revised down from 0.8% to 0.7% compared to the first estimate. The largest sources of these revisions are updated estimates of output within the manufacturing industries and sub-components of services, and updated seasonal adjustment across all series.

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 due to updated seasonal adjustment (although these cancel out to zero for each year prior to 2017). There are no major updates to data sources in this release and revisions across the expenditure and income components are relatively small. These mostly reflect the impact of revisions to output and the consequential balancing adjustments which ensure that GDP is constrained across the three approaches.

Information on the publication model for Scotland’s GDP, including the revisions policy and the routine data updates between the first estimate and quarterly national accounts, can be found at <https://www.gov.scot/publications/gdp-background-documents/>.

COVID-19: plans for faster economic indicators

The way that we work is changing in response to COVID-19, and the Scottish Government is developing new monthly economic statistics which will help to track the immediate impact on the economy and to assist decision makers in relation to the response.

Much of the data used in Scotland's GDP statistics are available monthly, accounting for around half of GDP by weight. This is primarily from the Monthly Business Survey (MBS) and Retail Sales Index (RSI) surveys. Around 30% of GDP is based on annual data sources, and some of these – such as health and education – present particular measurement challenges during the COVID-19 crisis. We are working with ONS and the other devolved administrations on these estimates.

The Scottish Government has been investigating ways to use the available data to allow more up to date monitoring of the impact of the COVID-19 crisis on the economy, and to help policy makers and economic forecasters. There are two main strands to this work:

1. A **Monthly Business Index**, which is a PMI-type indicator based on the results of the MBS and RSI. This gives a very fast indication of changes in general trading conditions, with a sample size which allows a reasonable level of industrial breakdown. Results from this index will be available within a month of the reference period.
2. **monthly GDP statistics**, which are a flash estimate of changes in output across the whole economy. This is based on a more detailed analysis of the MBS and RSI data, plus estimates for the other sectors of the economy. Results are expected to be available shortly after the release of the equivalent UK monthly GDP statistics, at around 45 days after the reference period.

It is important to note that these statistics use methods which are quick to calculate, but are based on less data than that used for the established quarterly GDP estimates. This means that the results are likely to be less accurate and more prone to revision than normal. This is especially the case at the present time when businesses are struggling, many have temporarily or permanently ceased to trade. Sample sizes and response rates are down across all sectors, and there is increased uncertainty in all estimates. However, the statistics are expected to give reasonable estimates of the relative impact on different industries, the timing and pace of contraction and recovery, and initial estimates of the overall impact on GDP, in much faster timescales than the established statistics allow.

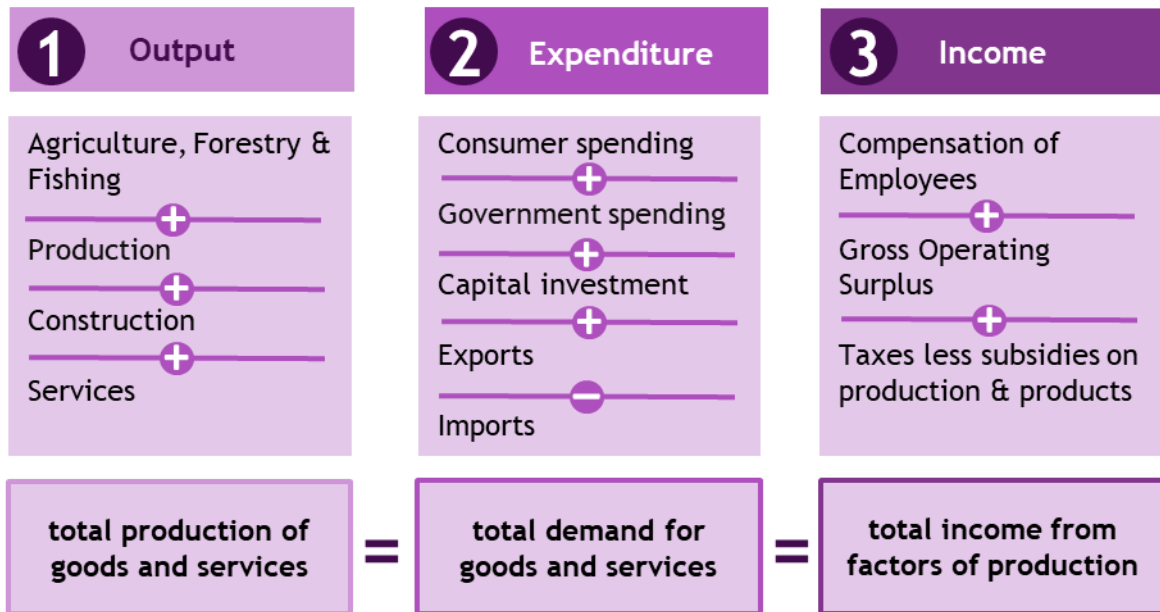
As part of this work, some of our normal outputs are changing to allow resources to be focussed on key statistics:

- Following the release of Labour Productivity for 2019 Quarter 4 (6 May), the quarterly publication will be suspended until further notice.
- The Retail Sales index for Scotland will be amalgamated into the new statistics, with increased monthly frequency, and the quarterly release will also be suspended until further notice.

Further information will be provided in due course. All new estimates will be designated as experimental statistics, and will continue to be developed as we review the data sources, methods and results. Please contact us at economic.statistics@gov.scot or follow us on Twitter [@scotgovocea](https://twitter.com/scotgovocea) or [@scotstat](https://twitter.com/scotstat) for more information.

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 publishes 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, 2020 Quarter 1	17 June 2020
GDP Quarterly National Accounts, 2020 Quarter 1	29 July 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 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 household earnings, and improved communication of the results. Some developments are ongoing and are clearly identified as experimental statistics in the release.

Correspondence and enquiries

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Complaints and suggestions

If you are not satisfied with our service or have any comments or suggestions, please write to the Chief Statistician, St Andrew's House, Edinburgh, EH1 3DG, Telephone: (0131) 244 0302, e-mail statistics.enquiries@gov.scot.

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