

ECONOMY AND LABOUR MARKET

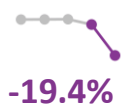
GDP Quarterly National Accounts, Scotland

2020 Quarter 2 (April-June)

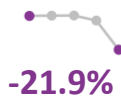
28 October 2020

This publication includes the updated second estimate of onshore GDP growth in real terms for the second quarter of 2020, along with additional breakdowns of GDP by categories of income and expenditure, and key household sector economic statistics.

Headline results



Scotland's GDP is estimated to have fallen by 19.4% in real terms during the second quarter of 2020, unrevised from the first estimate published in September. This follows contraction of 3.2% in the previous quarter. The equivalent results for the UK as a whole were contractions of 19.8% and 2.5% in these periods.



Compared to the same quarter last year, Scotland's GDP has fallen by 21.9%, revised down from the first estimate of 21.1%. The equivalent UK fall over the year was 21.5%.

Information About This Release

This publication provides updated estimates of GDP in real terms (i.e. adjusted for inflation) during the April to June period, together with new estimates for the quarter which break down GDP into components of expenditure and income. The coronavirus pandemic has led to a number of challenges in collecting and processing the data to calculate GDP. As a result, estimates for this quarter are subject to more uncertainty than usual and may be more prone to revision over time.

In recent months, the Scottish Government has developed faster monthly estimates of real terms GDP growth. The latest experimental statistics release, for August, is available [here](#). The monthly GDP estimate for September, which will also include a provisional estimate for Quarter 3, is planned for Wednesday 25 November.

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 2020 Quarter 2 (April-June), which uses additional data released since the GDP First Estimate published on 16 September. The results in this release are comparable to the UK Quarterly National Accounts for Quarter 2 published on 30 September.

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 2019 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 Household Savings Ratio
- Public sector revenues.

Data

This publication includes a short summary of key results from the latest statistics.

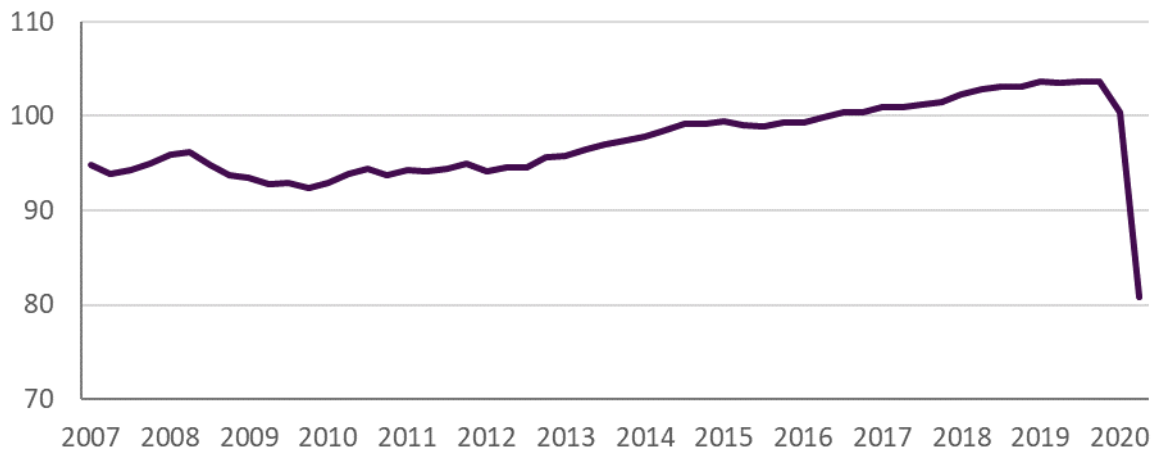
Full results for all components are available in the following downloadable tables:

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 fell by 19.4% during the second quarter of 2020

Scotland's onshore GDP (i.e. excluding offshore oil and gas) is estimated to have fallen by 19.4% in real terms during Quarter 2, unrevised from the first quarterly estimate published in September. This is the second consecutive quarter of falling output after a contraction of 3.2% in Quarter 1. GDP for the UK as a whole is estimated to have fallen by 19.8% and 2.5% over the same periods.

GDP volume measure, Scotland onshore (2016=100)



Compared to the same quarter last year, Scotland's GDP has fallen by 21.9%, revised down from the first estimate of 21.1%. The equivalent UK fall over the year was 21.5%.

These results reflect the ongoing direct impacts of the COVID-19 pandemic on the economy, with output falling in most industrial sectors during Quarters 1 and 2 as domestic and international economic activity slowed sharply and the lockdown measures were introduced.

In the latest quarter, the latest estimates are that Services output fell by 18.9%, Production output decreased by 15.6%, and Construction sector output decreased by 41.5% compared to the previous quarter.

The recently developed Monthly GDP estimates show that output fell strongly in March and April, and began to recover in May. The latest release, for August, is available [here](#), and indicates that GDP has made up around 60% of the level lost during March and April. Users should note that the monthly estimates have not yet been updated to be consistent with the revised quarterly results in this publication. The estimate for September, which will also include a provisional estimate for Quarter 3, is planned for Wednesday 25 November.

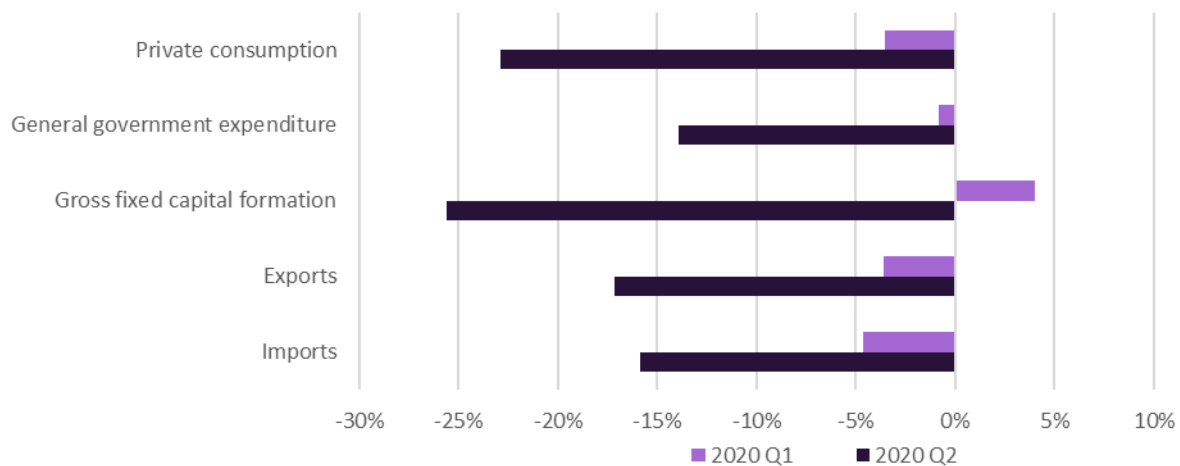
Other new short term indicators are also being produced:

- The [Monthly Business Turnover Index](#) is an early indicator of trading conditions for businesses which account for around half of GDP. The results for September will be published on 6 November 2020.
- Results from the [Business Impact of Coronavirus Survey \(BICS\)](#) for Scotland are also being published, covering aspects of trading status, workforce status and financial performance. The latest data for the period 7 September to 20 September was published on 8 October.

GDP fell in all categories of expenditure during Quarter 2 (experimental statistics)

On the expenditure measure of GDP there have been large movements in all the main components during Quarter 2, which can be seen in both nominal terms (unadjusted for inflation) and real terms (adjusted for inflation). The real terms components of GDP by expenditure are designated as **experimental statistics (not national statistics)**, which means that they are still in development and subject to relatively high levels of uncertainty.

GDP by category of expenditure compared to the previous quarter



Note: private consumption includes the Household sector and Non-profit institutions serving households (NPISH)

In real terms, Household consumption is estimated to have fallen by 22.7% in Quarter 2, reflecting the large reductions in demand for goods and services during the lockdown period and ongoing periods of social distancing and restricted activity. The largest reductions were in spending on restaurants & hotels and transport, but there were also falls in most types of spending apart from food & drink, alcohol & tobacco, and communication.

The measures introduced by government in response to the coronavirus pandemic have had a significant impact on government consumption (delivery of public services) in the second quarter. In nominal terms, government consumption expenditure has been initially estimated to have increased broadly in line with the UK as a whole, by 14.9%, reflecting higher spending related to the coronavirus as well as planned increases in spending. These estimates will be updated in future releases when more specific data for Scotland becomes available. The volume of government consumption is estimated to have fallen by 13.9% in Quarter 2. This largely reflects the reductions in routine health service provision, and the reduction of education activity while schools were closed and more limited remote learning was being delivered. These contrasting movements in the nominal and volume measures are due to the use of direct measures of activity for the volume of government services output, such as health and education, in line with international statistical guidance and consistent with the ONS statistics for the UK as a whole.

Gross fixed capital formation (GFCF) is estimated to have contracted by 25.6% in the second quarter of 2020, with large falls in business investment and dwellings. There have also been large falls in trade flows in and out of Scotland to the rest of the UK and the rest of the world, reflecting a marked fall in global trade demand as well as how restrictions have disrupted international supply chains.

Nominal Onshore GDP has fallen by 17.4% during 2020 Quarter 2

Total nominal onshore GDP fell by 17.4% (£7.0 billion) during Quarter 2. In terms of the income approach to GDP, the largest part of the fall is accounted for by a decline in taxes less subsidies. This reflects both a decrease in tax revenue, such as VAT, and an increase in subsidies. The increase in subsidies primarily relates to the CJRS and Self Employment Income Support Scheme (SEISS). In the other main components of GDP by income, Gross Operating Surplus decreased by 16.7% (£2.5 billion) and Compensation of Employees decreased by 2.1% (£450 million).

In annualised terms, covering the latest 12 months from July 2019 to June 2020, the value of Scotland's onshore GDP is estimated to be £160.4bn in total (£29,365 per person), down from £167.7 billion in 2019. Including oil and gas extraction in Scottish waters, Scotland's GDP in the latest four quarters is estimated to be £166.8 billion in total (£30,530 per person), down from £176.7bn in 2019, also reflecting the impact of lower oil prices in the first half of 2020.

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/>.

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 6) is the most comprehensive 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 for all sectors of the economy, such as outflows of profits generated by foreign owned companies. Experimental estimates of GNI, last updated for 2018, are available [here](#).

Labour productivity statistics, which report GDP per job or per hour worked are available [here](#). Productivity statistics releases have been temporarily paused while we focus on faster indicators of output and deal with the challenges of estimating GDP during the COVID-19 pandemic. The latest estimates are for 2019 Quarter 4.

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.

During the COVID-19 pandemic, the Scottish Government has also developed a dashboard which presents information on health, social and economic harms associated with COVID-19. This can be accessed at <https://data.gov.scot/coronavirus-covid-19/>.

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.

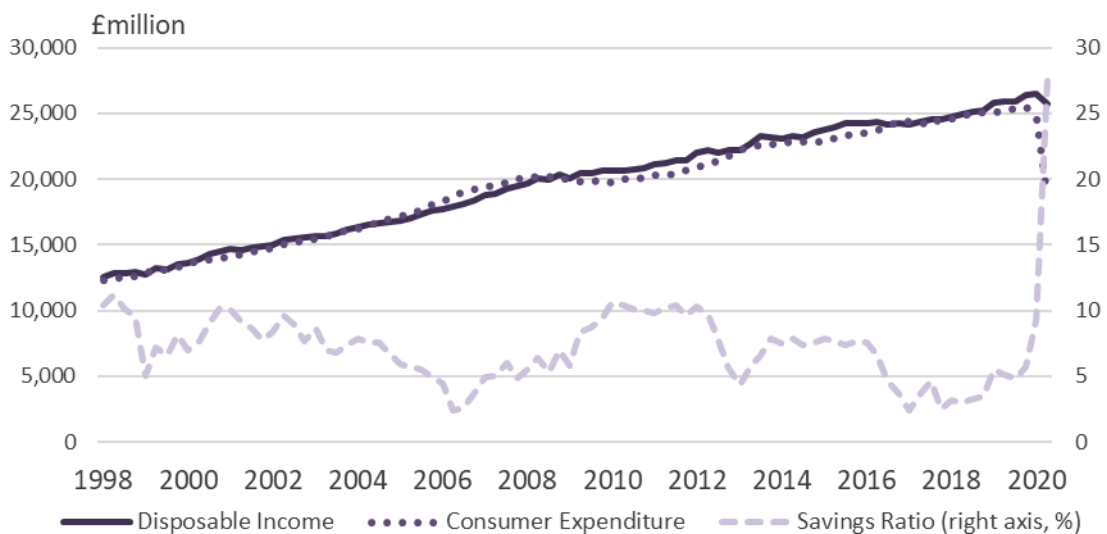
In 2020 Quarter 2, GDHI is estimated to have decreased by 3.0% in nominal terms (without adjusting for inflation) compared to the previous quarter, and by 0.5% compared to the same period last year. The impact of the Coronavirus job retention scheme is one reason why the income of the household sector has fallen by less than other components of GDP.

Household Savings Ratio

In National Accounts, gross saving is calculated by subtracting Household consumer expenditure from disposable income. This broadly 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, but is a useful indicator of trends in overall household finances.

In 2020 Quarter 2, the total value of household expenditure is estimated to have decreased by 25.1% compared to the same period last year (without adjusting for inflation), whereas the total income resources of the household sector have decreased by only 1.6%. This means that the value of gross saving has increased sharply. 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 27.8 per cent, up strongly from an average of 5.3% in 2019. This represents the highest savings ratio and the largest quarterly movement in the series since estimates begin in 1998, and is another illustration of the unprecedented scale of the economic impacts during the pandemic.

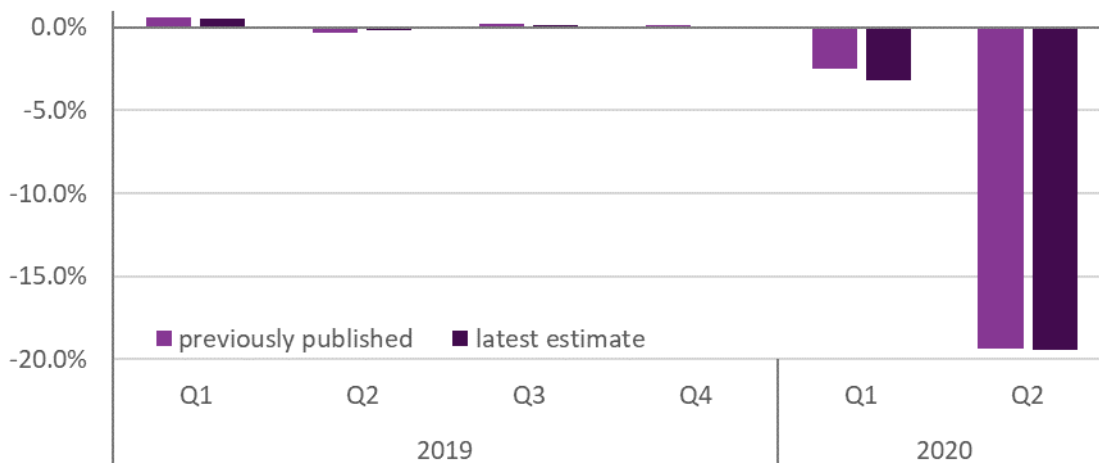
Household sector income, expenditure and saving



GDP growth has been open to revision back to 2019

In this release, Scotland’s onshore GDP in volume terms has been open for revision back to the start of 2019. This includes routine updates made to the latest quarter since the First Estimate published on 19 September. 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



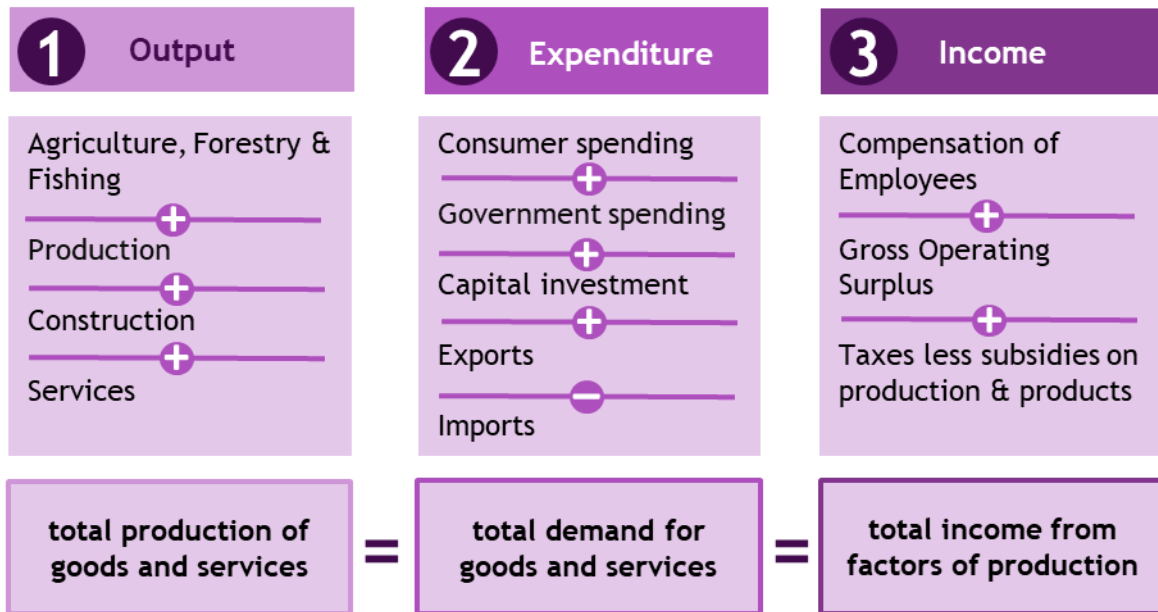
At the level of one decimal place, there have been revisions in all quarters from 2019 Q1 onwards, although within 2019 these largely offset each other over time. The overall impact has been a marginal upward revision to annual growth in 2019 which has moved the growth rate from 0.7% to 0.8% when rounded to 1 decimal place. Growth in 2020 Quarter 1 has been revised down from the previous estimate of -2.5% to -3.2% due to updated data sources, including a relatively large revision to financial services estimates. In Quarter 2 there has been a downward revision of nearly 0.1 percentage points, although due to rounding this has not changed the headline figure of -19.4%. The cumulative impact of these revisions is that the fall compared to the same period last year has been revised down from -21.1% to -21.9%.

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 have been no major changes to data sources, and revisions mostly reflect a combination of the impact of revisions to output and to expenditure components estimated using data consistent with the latest UK national accounts.

In most years, there are major updates in the Quarterly National Accounts for Quarter 1, including updating annual reference data sources such as the Supply and Use Tables, annual GDP weights, ONS Regional GDHI statistics, and Annual Business Survey. Due to the disruptions to statistics production and the recent focus on short-term indicators, and the need for enhanced quality assurance of results at this time, these updates have been delayed and are currently planned for the Quarter 3 release. 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/>.

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 Monthly Estimate (experimental statistics), September 2020	25 November 2020
GDP First Quarterly Estimate (national statistics), 2020 Quarter 3	16 December 2020
GDP Quarterly National Accounts (national statistics), 2020 Quarter 3	3 February 2021

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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.

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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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