

## ECONOMY AND LABOUR MARKET

# GDP Quarterly National Accounts, Scotland

## 2020 Quarter 3 (July-September)

17 February 2021

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

### Headline results



15.8%

Scotland's GDP is estimated to have grown by 15.8% in real terms during the third quarter of 2020, revised down from the first estimate of 16.0% published in December. This follows contractions of 19.1% and 3.3% in the previous two quarters. The equivalent results for the UK as a whole are growth of 16.1% and contractions of 19.0% and 2.9% in these periods.



-9.4%

Compared to the same quarter last year, Scotland's GDP has fallen by 9.4%, revised up from the first estimate of 9.5%. The equivalent UK fall over the year was 8.7%.

### Information About This Release

This publication provides updated estimates of GDP in real terms (i.e. adjusted for inflation) during the July to September 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 November, is available [here](#). The monthly GDP estimate for December, which will also include a provisional estimate for Quarter 4, will be published on Wednesday 24 February.

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## About the GDP Quarterly National Accounts

This publication includes the second estimate of onshore GDP growth for 2020 Quarter 3 (July-September), which uses additional data released since the GDP First Estimate published on 16 December 2020. The results in this release are comparable to the UK Quarterly National Accounts for Quarter 3 published on 22 December 2020.

This publication also includes revisions to previous years and quarters. GDP in nominal terms and its components of output, income and expenditure have been updated to be consistent with the latest [Supply and Use Tables for 1998-2017](#) and are revised in all periods back to 1998. GDP in real terms has been updated with new industry weights for 2017, and revised back to 2016 Quarter 1. Estimates of Gross Disposable Household Income have been revised back to 1998 and are consistent with the [latest regional results](#) produced by the Office for National Statistics.

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.

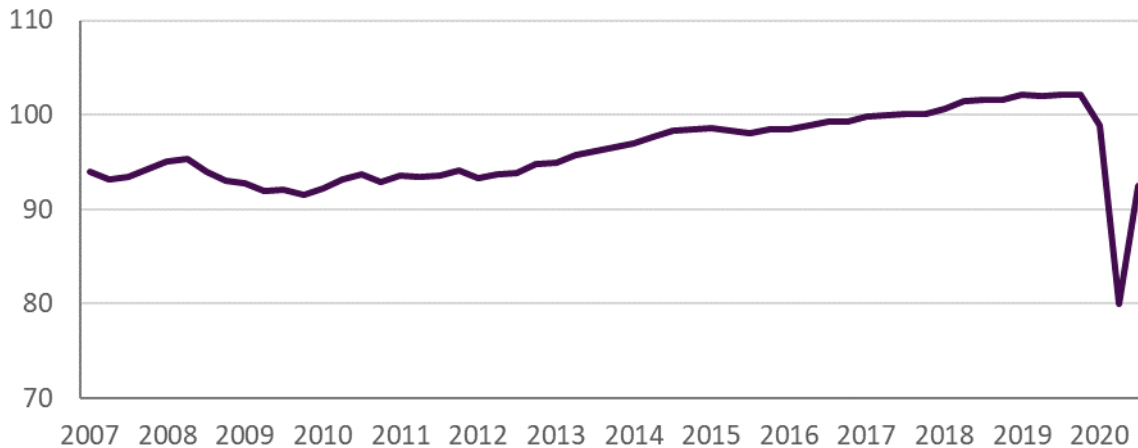
Full results for all components are available in the following downloadable tables:

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 grew by 15.8% during the third quarter of 2020

Scotland's onshore GDP (i.e. excluding offshore oil and gas) is estimated to have grown by 15.8% in real terms during Quarter 3, revised down from the first quarterly estimate of 16.0% published in December. This follows contractions of 19.1% in Quarter 2 and 3.3% in Quarter 1. GDP for the UK as a whole is estimated to have grown by 16.1% in Quarter 3, and fallen by 19.1% and 2.9% in the previous periods.

**GDP volume measure, Scotland onshore (2017=100)**



Compared to the same quarter last year, Scotland's GDP has fallen by 9.4%, revised up from the first estimate of 9.5%. The equivalent UK fall over the year was 8.7%.

In the latest quarter, the latest estimates are that Services output increased by 13.5%, Production output increased by 18.8%, and Construction sector output increased by 52.0% compared to the previous quarter. These results reflect the ongoing impacts to the economy during the COVID-19 pandemic, after output fell sharply in most industrial sectors during Quarters 1 and 2. During Quarter 3, most parts of the economy which were closed during the initial lockdown were permitted to reopen with social distancing measures in place, although some parts of the arts, culture and recreation sector remained closed throughout the quarter.

The recently developed Monthly GDP estimates show that output fell strongly in March and April, and then recovered in six consecutive months between May and October, before falling in November after level 3 and 4 restrictions were put in place across large parts of Scotland. The estimate for December, which will also include a provisional estimate for Quarter 4, will be published on Wednesday 24 February.

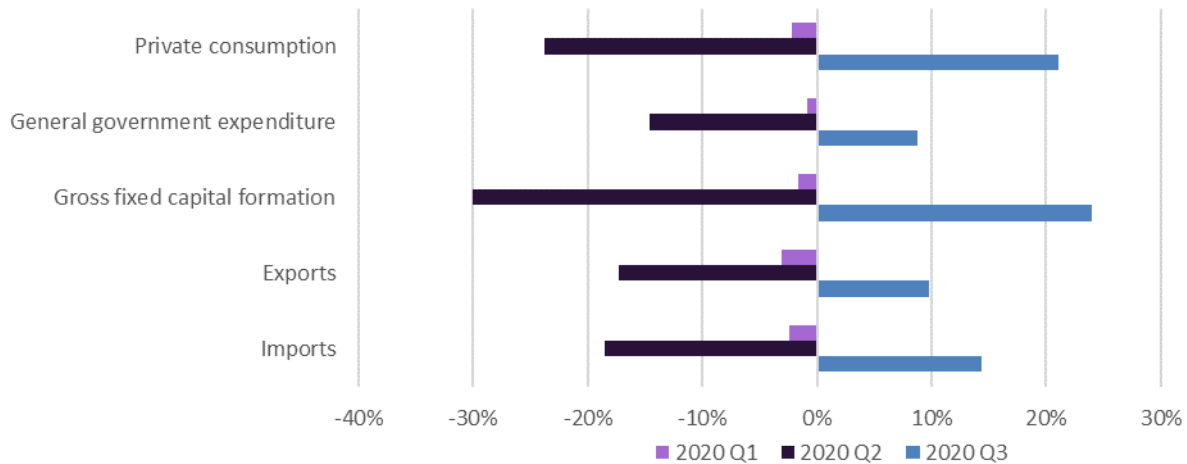
Other new short term indicators are also being produced:

- The [Monthly Business Turnover Index](#) is an early indicator of trading conditions for businesses which account for around half of GDP. The results for January 2021 will be published on 5 March.
- 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.

## GDP rose in all categories of expenditure during Quarter 3 (experimental statistics)

On the expenditure measure of GDP there have been large movements in all the main components during recent quarters, 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



In real terms, Household consumption is estimated to have increased by 21.1% during Quarter 3, after falling by 23.7% in Quarter 2, reflecting the large reductions in demand for goods and services during the first lockdown period. Although spending picked up strongly over the summer while there were fewer restrictions on activity, it remains nearly 10% lower in real terms than in the same period of 2019.

The measures introduced by government in response to the coronavirus pandemic have had a significant impact on government consumption (delivery of public services) during 2020. In nominal terms, government consumption expenditure has been initially estimated to have increased by 12.2% over the year, 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. In volume terms, however, government consumption is estimated to have fallen by 7.8% over the year. 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 increased by 24.0%, after falling by 30.0% in the previous quarter, reflecting the reduction in construction activity and investment in other assets during the first lockdown. Trade flows in and out of Scotland to the rest of the UK and the rest of the world have followed a similar pattern, reflecting a marked fall in global trade demand as well as how restrictions disrupted international supply chains during Quarter 2.

## Nominal Onshore GDP has fallen by 6.9% over the latest four quarters

Total nominal onshore GDP increased by 13.3% during Quarter 3, after falling by 16.6% in Quarter 2, and is now 6.9% (£2.9 billion) lower than the same quarter in 2019. 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 Coronavirus Job Retention Scheme (CJRS) and Self Employment Income Support Scheme (SEISS). In the other main components of GDP by income, Gross Operating Surplus is 9.6% (£1.5 billion) lower than last year, while Compensation of Employees has increased by 3.0% (£600 million) over the year, aided the subsidies from the CJRS.

In annualised terms, covering the latest 12 months from October 2019 to September 2020, the value of Scotland's onshore GDP is estimated to be £157.2bn in total (£28,771 per person), down from £167.2 billion in 2019. Including oil and gas extraction in Scottish waters, Scotland's GDP in the latest four quarters is estimated to be £163.4 billion in total (£29,886 per person), down from £176.2bn 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 2017, 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](https://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.

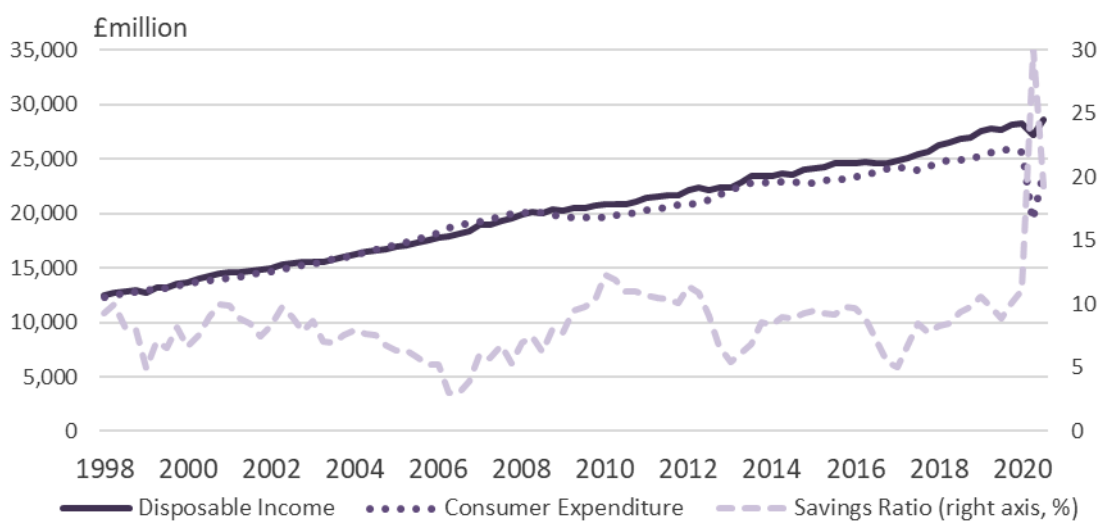
In 2020 Quarter 3, GDHI is estimated to have increased by 5.3% in nominal terms (without adjusting for inflation) compared to the previous quarter, after dropping by 3.6% in Quarter 2, and is up by 3.6% over the year. The impact of the Coronavirus job retention scheme is one reason why the income of the household sector has fallen by less than other components of GDP, and there is a clear difference between compensation of employees (up 1.4% over the year) and self-employed mixed income (down 5.6% over the year).

### 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, although it also includes large values of non-cash transactions such as the imputed rent of owner-occupiers within both the income and expenditure components. 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 3, the total value of household expenditure is estimated to have decreased by 9.3% compared to the same period last year (without adjusting for inflation), whereas the total income resources of the household sector have increased by 2.4%. 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 19.2 per cent, down from 30.1% during Quarter 2 but up strongly from an average of 9.8% in 2019. This represents the highest savings ratio and the largest quarterly movements in the series since estimates begin in 1998.

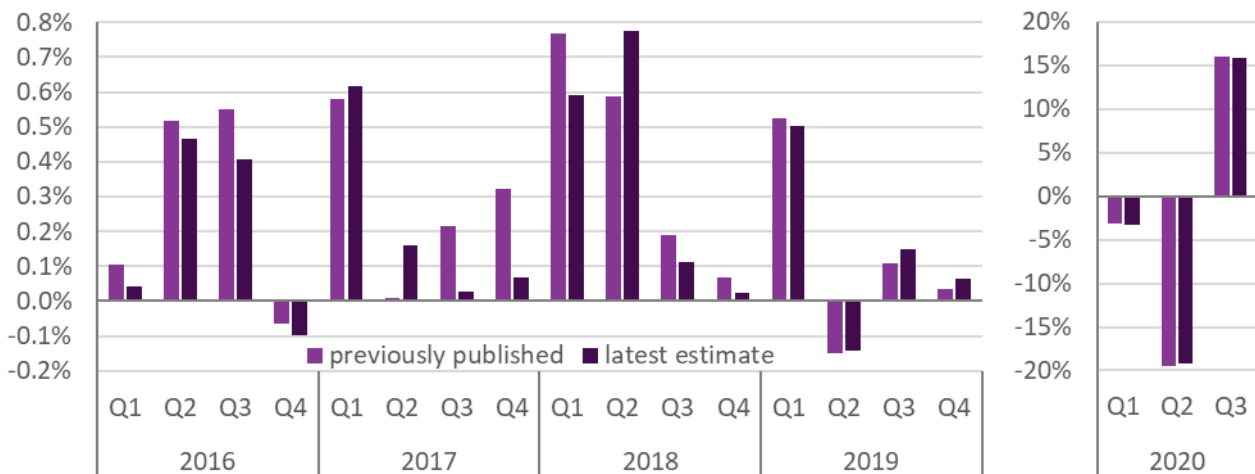
Household sector income, expenditure and saving



### GDP growth has been open to revision back to 2016

In this release, Scotland’s onshore GDP in volume terms has been open for revision back to the start of 2016. This includes routine updates made to the latest quarter since the First Estimate published on 16 December, but more significantly due to the update of GDP weights and the inclusion of annual reference data for 2017 from the latest Supply and Use Tables. 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



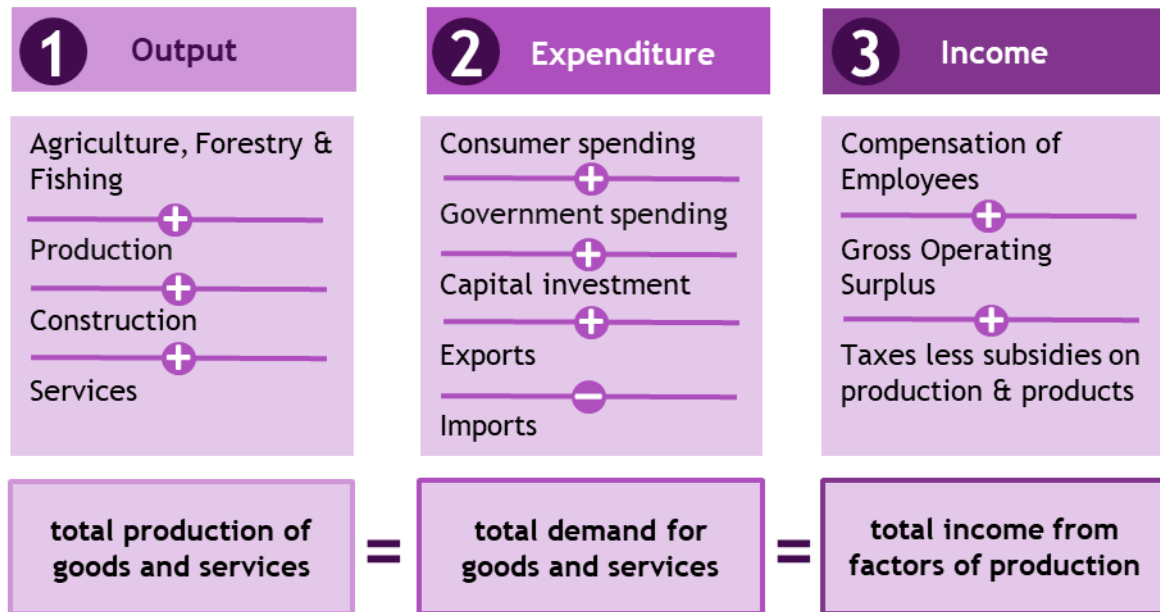
In annual terms, GDP growth has been revised down in each year between 2016 to 2018, with revisions in most quarters when viewed at the level of one decimal place. In the latest year, growth has been revised down by 0.2 percentage points in 2020 Q3 and by 0.1 percentage points in 2020 Q1, but up by 0.3 percentage points in Q2. Taken cumulatively over the year, GDP growth compared to 12 months ago has been revised up by 0.1 percentage point. These revisions reflect the relatively high levels of uncertainty in the estimates at this time, which are still being updated with late data returns and re-estimated in light of emerging information.

In other components of GDP and the national accounts, revisions are open back to 1998 in nominal terms. This includes the update of annual reference series for all components consistent with the latest Supply and Use Tables, published in September 2020, and the Regional Gross Disposable Household Income statistics produced by the ONS, published in June 2020. There are also consequential revisions to all series from 2018 onwards which reflect the updated results to 2017 and the adjustments required to ensure that estimates of supply and demand are balanced in all periods.

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), December 2020	24 February 2021
GDP First Quarterly Estimate (national statistics), 2020 Quarter 4	17 March 2021
GDP Quarterly National Accounts (national statistics), 2020 Quarter 4	5 May 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.

## 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](mailto:statistics.enquiries@gov.scot).

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