

ECONOMY AND LABOUR MARKET

GDP Quarterly National Accounts, Scotland

2020 Quarter 4 (October-December)

5 May 2021

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

Main results

Scotland's GDP is estimated to have grown by 2.3% in real terms during the fourth quarter of 2020, revised up from the first estimate of 2.0% published in March. The increase in the latest quarter follows growth of 15.6% in quarter 3 and falls of 18.5% in quarter 2 and 2.9% in quarter 1.

For 2020 as a whole, annual GDP is estimated to have fallen by 9.6% in real terms compared to 2019, unrevised from the first estimate.

Information About This Release

This publication provides updated estimates of GDP in real terms (i.e. adjusted for inflation) during the October to December 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 2020 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 February 2021, is available [here](#). The monthly GDP estimate for March, which will also include a provisional estimate for Quarter 1, will be published on Wednesday 26 May.

Contents

Second estimate of onshore GDP growth in real terms	3
GDP by expenditure in real terms (experimental statistics)	4
GDP in nominal terms, onshore and wider economy	5
Household sector income accounts	6
Revisions	7
Background notes	8

About the GDP Quarterly National Accounts

This publication includes the second estimate of onshore GDP growth for 2020 Quarter 4 (October-December), which uses additional data released since the GDP First Estimate published on 17 March 2021. The results in this release are comparable to the UK Quarterly National Accounts for Quarter 4 published on 31 March 2021.

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:

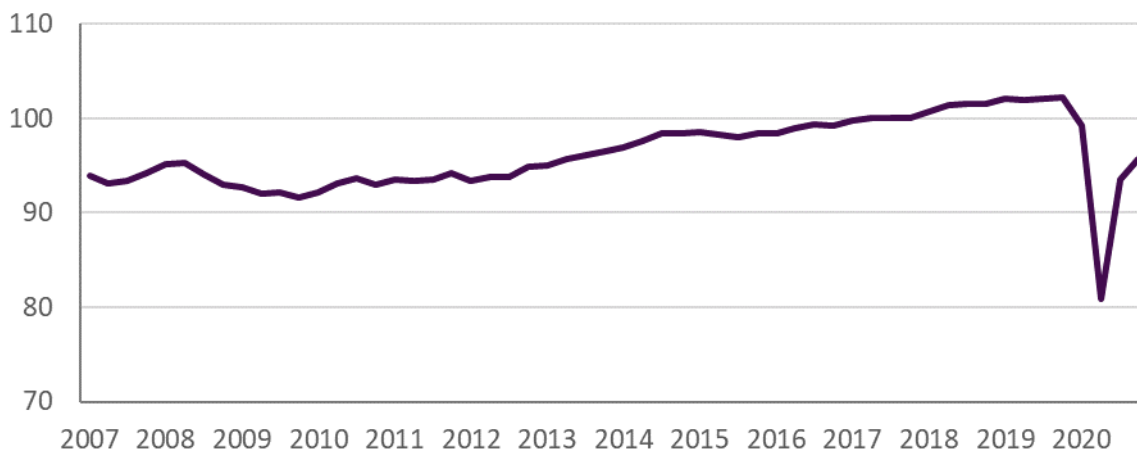
1. Onshore GDP by industry in real terms, second estimate (xlsx)
2. Other Quarterly National Accounts Summary Tables (xlsx)
3. Detailed Supplementary Tables (xlsx)

Scotland's onshore GDP grew by 2.3% during the fourth quarter of 2020

Scotland's onshore GDP (i.e. excluding offshore oil and gas) is estimated to have grown by 2.3% in real terms during quarter 4, revised up from the first quarterly estimate of 2.0% published in March. This follows growth of 15.6% in quarter 3, and contractions of 18.5% in Quarter 2 and 2.9% in Quarter 1 as the direct impacts of the COVID-19 pandemic began to be seen in the economy.

Although the quarterly path of GDP has been updated, there has been no revision to the estimate of a 9.6% fall in annual GDP compared to 2019. Compared to the same quarter last year, Scotland's GDP has fallen by 6.4%, unrevised from the first estimate.

GDP volume measure, Scotland onshore (2017=100)



In 2020 quarter 4, the latest estimates are that Services output increased by 2.8%, Production output fell by 0.4%, and Construction sector output increased by 4.0% compared to the previous quarter. These results reflect a slowdown from the sharp rebound seen in the summer months when most sectors of the economy re-opened after the initial lockdown between March and June. During Quarter 4, restrictions on economic activity began to be reintroduced with the regional Protection Levels system, with parts of retail, hospitality and other consumer facing services required to close or restrict trading across large parts of Scotland during November and December. From 26 December, protection level 4 restrictions were in place across all of mainland Scotland. The recently developed Monthly GDP estimates (which are experimental statistics) indicate that output fell in real terms in both November and December, after recovering from the first lockdown for six consecutive months between May and October.

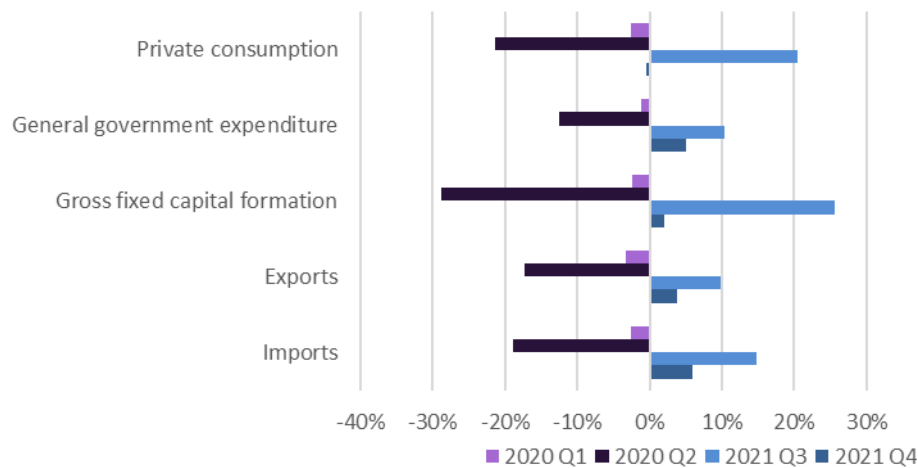
Other new short term indicators are also available:

- The [Monthly Business Turnover Index](#) is an early indicator of trading conditions for businesses which account for around half of GDP. The results for March 2021 will be published on Friday 7 May.
- 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.

Growth slowed in all types 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



Note: private consumption includes the Household sector and Non-profit institutions serving household

In real terms, Household expenditure is estimated to have fallen by 0.6% during Quarter 4, as restrictions began to be re-imposed on shops and consumer services. Although spending picked up strongly over the summer while there were fewer restrictions on activity, it remains more than 8% lower in real terms than in the same period of 2019, reflecting the ongoing reductions in demand for many goods and services.

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 16.5% compared to the same period last year. In volume terms, however, government consumption is estimated to have increased by only 0.4% over the year, due to the reductions in routine health service provision and in-school education, which have offset the increased activity relating to services such as test and trace. 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 a further 2.1% in the latest quarter, but remains more than 10% down compared to the same period last year, reflecting reductions in construction activity earlier in 2020 and lower levels of business investment in other capital assets such as vehicles. 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 recovery from the marked fall in global trade demand as well as how restrictions disrupted international supply chains during Quarter 2.

Nominal Onshore GDP has fallen by 6.7% during 2020

In 2020, annual onshore GDP is estimated to have been £155.9 billion in total, or £28,535 per person. This has reduced by 6.7% (£11.3 billion) compared to 2019. In terms of the income approach to GDP, the largest part of the fall is accounted for by a decline in the value of taxes less subsidies on products and production. 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).

Including oil and gas extraction in Scottish waters, Scotland's GDP in 2020 is estimated to be £161.7 billion in total, or £29,583 per person. This is down from £176.3bn in 2019, which reflects the impact of lower oil prices in the first half of 2020 as well as the other reductions in the onshore economy.

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.

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.

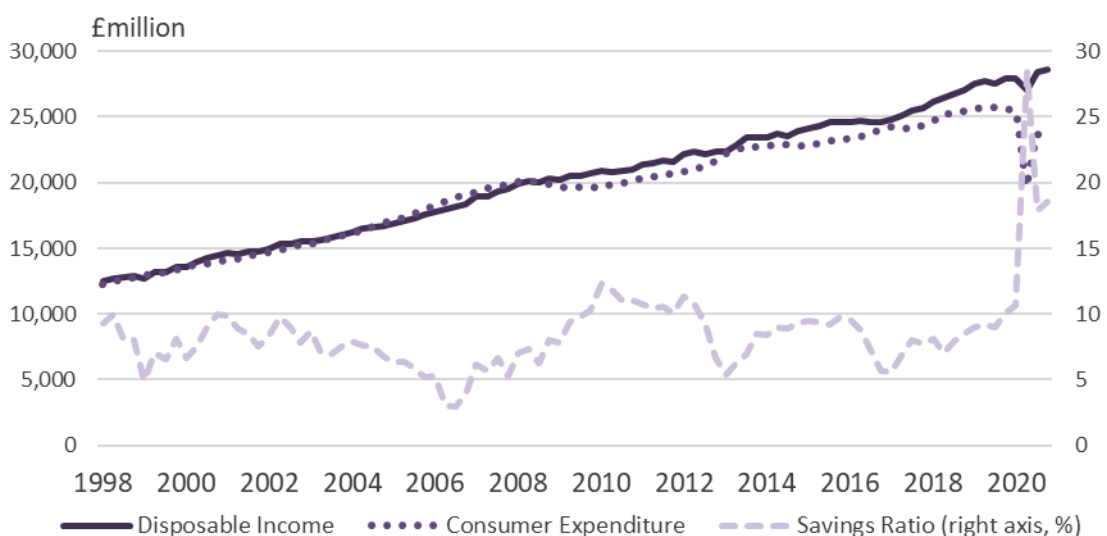
In 2020 Quarter 4, GDHI is estimated to have increased by 0.4% in nominal terms (without adjusting for inflation) compared to the previous quarter, and is up by 2.3% over the year compared to 2019 Quarter 4. The impact of the Coronavirus job retention scheme is one reason why the income of the household sector has fallen by less than other components of GDP, and there is a clear difference between compensation of employees (up 2.8% over the year) and self-employed mixed income (down 5.8% 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 4, the total value of household expenditure is estimated to have decreased by 8.0% compared to the same period last year (without adjusting for inflation), whereas the total income resources of the household sector have increased by 1.6%. This means that the value of gross saving has increased sharply over the last year. 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 18.6 per cent, which is down from 28.4% during Quarter 2 but up strongly from an average of 9.3% in 2019. This represents the highest savings ratio and the largest quarterly movements in the series since estimates begin in 1998.

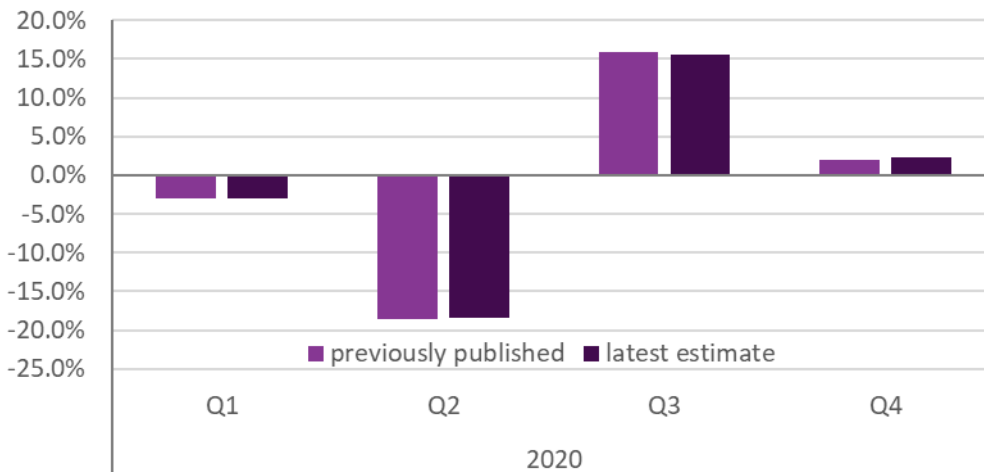
Household sector income, expenditure and saving



GDP growth has been open to revision back to 2020 Quarter 1

In this release, Scotland’s onshore GDP in volume terms has been open for revision back to the start of 2020. This includes routine updates made to the latest quarter since the First Estimate published on 17 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



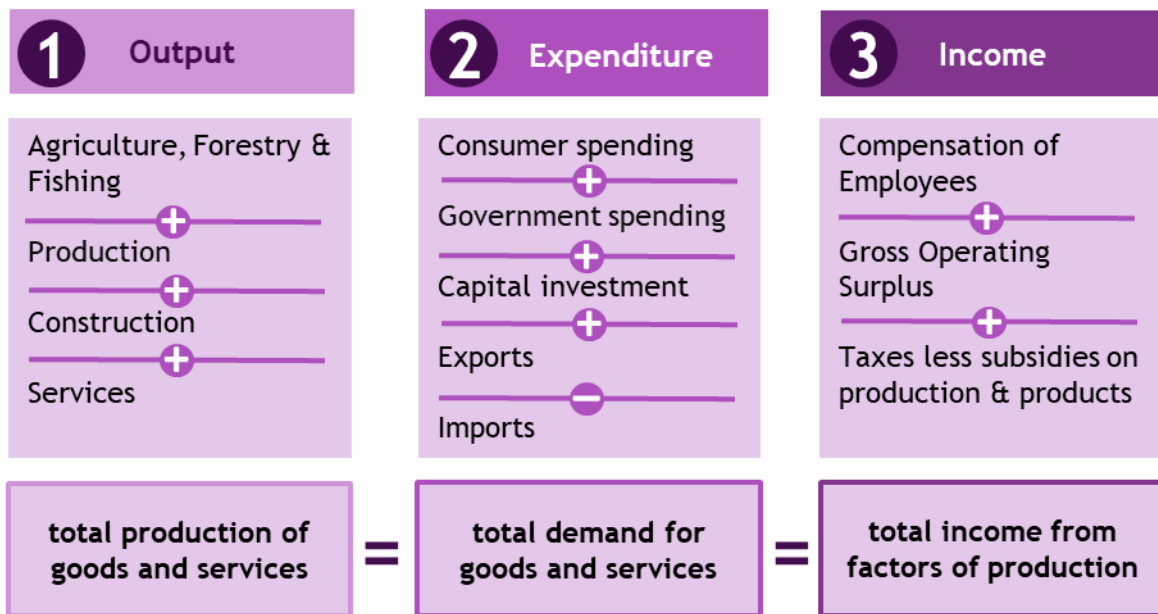
In 2020 Quarter 4, growth has been revised up from the first estimate of 2.0% to 2.3%. The largest contributions to this revision are from wind generated electricity and financial services, where new data is available in the quarterly national accounts but not the first estimate. There are also revisions in other industries due primarily to late or revised survey returns and updated seasonal adjustment factors. In Quarter 3, growth has been revised down from the previous estimate of 15.8% to 15.6%, and the falls in Quarter 2 and Quarter 1 have been unrevised at the level of 1 decimal place. There have also been revisions over the course of the year relating to [updated methods from ONS for the measurement of education in the pandemic](#). Taken together, these changes have not changed annual GDP, which remains unrevised from the first estimate as a fall of 9.6%.

In other components of GDP and the national accounts, revisions are open back to 2018 in nominal terms. In this release there are updates to some of the source data for Household Final Consumption Expenditure following the release of the latest annual Family Spending publication by ONS, which has led to upward revisions to HHFCE estimates from 2018 onwards. These revisions on the expenditure approach are offset by balancing adjustments to other components, making them GDP neutral. Mostly, this is seen as a revision up to imports.

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), March 2021	26 May 2021
GDP First Quarterly Estimate (national statistics), 2021 Quarter 1	16 June 2021
GDP Quarterly National Accounts (national statistics), 2021 Quarter 1	4 August 2021

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 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

For enquiries about this publication, please contact:

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

e-mail: john.dowens@gov.scot
or economic.statistics@gov.scot

For general enquiries about Scottish Government statistics please contact:
Office of the Chief Statistician, Telephone: 0131 244 0442,
e-mail: statistics.enquiries@gov.scot

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.

If you would like to be consulted about statistical collections or receive notification of publications, please register your interest at www.gov.scot/scotstat

Details of forthcoming publications can be found at www.gov.scot/statistics

Crown Copyright

You may use or re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence.

See: www.nationalarchives.gov.uk/doc/open-government-licence/