

ECONOMY AND LABOUR MARKET

GDP Quarterly National Accounts, Scotland

2021 Quarter 3 (July-September)

9 February 2022

This publication includes the updated second estimate of onshore GDP growth in real terms for the third quarter of 2021, along with additional breakdowns of GDP by categories of income and expenditure, and key household sector economic statistics, which are used for economic forecasting and modelling.

Key results

In 2021 Quarter 3 (July-September), Scotland's onshore GDP is estimated to have grown by 0.7% compared to the previous quarter, revised down from the previous estimate of 1.0% growth published on 15 December.

In quarterly terms, the level of GDP is now 2.2% below the level in 2019 Quarter 4 (Oct-Dec), prior to the impacts of the coronavirus (COVID-19) pandemic. This has been revised from the previous estimate of 1.9% below that level.

In Quarter 3 there was growth of 1.7% in the services sector, reflecting a slowdown from the 6.4% increase in Quarter 2 experienced as the lockdown restrictions in place during Quarter 1 were gradually eased. Output in the production sector fell by 3.5% in Quarter 3, after growing by 3.6% in Quarter 2. Construction output fell by 0.7% after growing by 3.5% in Quarter 2.

Information About This Release

The coronavirus pandemic has led to a number of challenges in collecting and processing the data to calculate GDP. As a result, estimates from 2020 onwards are subject to more uncertainty than usual and may be more prone to revision over time. International comparisons, and comparisons within the UK, should be made with appropriate caution for the levels of uncertainty and variations in methods in use by different statistical institutes around the world.

Since the start of the COVID-19 pandemic, the Scottish Government has developed faster monthly estimates of GDP growth. The [experimental GDP statistics for November 2021](#) were published on 26 January, and indicated that in monthly terms the level of GDP was back above the level of February 2020 by 0.6%. The next release, for December 2021, will be published on 23 February.

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About the GDP Quarterly National Accounts

This publication includes the second estimate of onshore GDP growth for 2021 Quarter 3 (July to September), which uses additional data released since the Quarterly GDP First Estimate published on 15 December 2021. The results in this release are comparable to the UK Quarterly National Accounts for Quarter 3 published on 22 December 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)

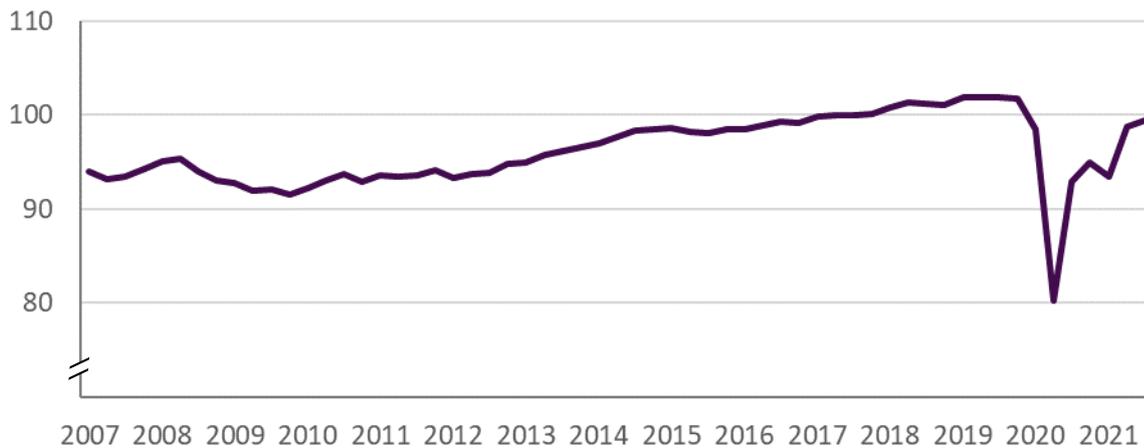
Second quarterly estimate of onshore GDP growth for 2021 Quarter 3

Scotland’s onshore GDP (i.e. excluding offshore oil and gas) is estimated to have grown by 0.7% in real terms during 2021 Quarter 3 (July to September), revised down from the previous estimate of 1.0% published in December. Quarterly results have been open to revision back to the start of 2020, with changes between quarters largely cancelling each other out over the course of the two years. Further information on revisions can be found on page 6.

Compared to the same quarter last year, Scotland’s GDP has grown by 7.1%. However, users should note that the growth over the year measure is subject to a strong effect from the low base level last year, which makes it difficult to interpret the scale of this change.

In quarterly terms, the level of GDP is now 2.2% below the level in 2019 Quarter 4 (Oct-Dec), prior to the impacts of the coronavirus (COVID-19) pandemic. This has been revised from the previous estimate of 1.9% below that level.

GDP volume measure, Scotland onshore (2017=100)



In Quarter 3 there was growth of 1.7% in the services sector, with increases in nine of the fourteen subsectors. Although growth slowed from the 6.4% increase experienced after the easing of lockdown restrictions during Quarter 2, there were still further large increases in the subsectors which were impacted the most by the lockdown. This includes growth of 28.1% in accommodation and food services, 23.0% in other personal services, and 11.7% in arts, culture and recreation.

Output in the production sector fell by 3.5% in Quarter 3, after growing by 3.6% in Quarter 2. Within production, manufacturing output fell by 4.4%, after increasing strongly in the previous two quarters. Electricity and gas output fell by 4.7% during quarter 3 due in large part to unusually low levels of renewable electricity generation during the summer months.

In the construction sector, output is estimated to have fallen by 0.7% during Quarter 3, after growing by 3.5% in Quarter 2.

The [Monthly GDP](#) estimates (which are experimental statistics) give a more detailed indication of the trends for each industry sector, and include results up to November 2021.

Results from the [Business Insights and Conditions Survey \(BICS\)](#) for Scotland are also being published, covering aspects of trading status, workforce status and financial performance.

GDP in nominal terms

In the four quarters to 2021 Quarter 3, annualised onshore GDP is estimated to have been £164.7 billion in total, or £30,113 per person. Although this has increased from a lower value in 2020, it remains below the value of £167.2 billion in 2019.

In terms of the income approach to GDP, the largest part of the fall in nominal GDP relative to pre-pandemic levels 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). Gross Operating Surplus, which mostly represents company profits, has also fallen compared to 2019. Compensation of Employees (mostly wages and salaries) has increased over this time, supported in part by the increased subsidies.

Including oil and gas extraction in Scottish waters, Scotland's GDP in the four quarters to 2021 Quarter 3 is estimated to be £173.6 billion in total, or £31,748 per person. This is down from a value of £180.7bn in 2019, which reflects the impact of lower oil prices during 2020 as well as the reduced GDP 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 5) 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.

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.

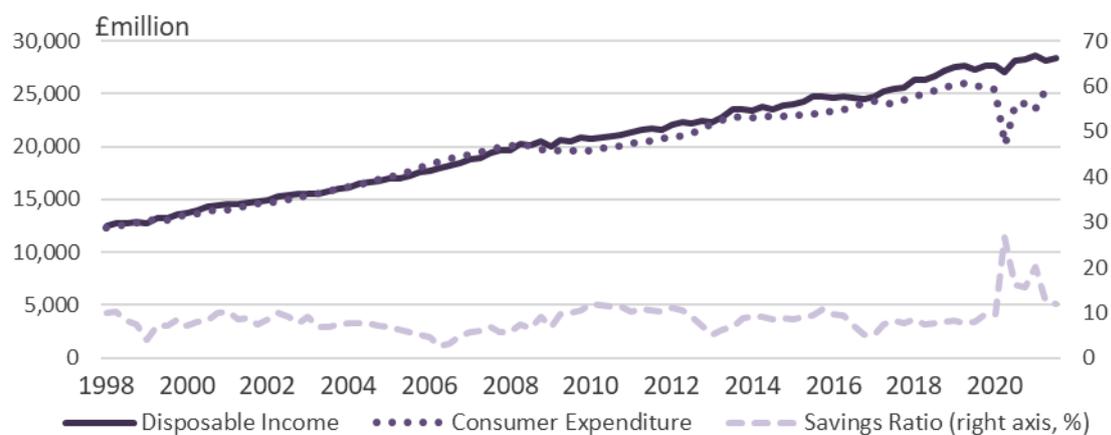
In 2021 Quarter 3, GDHI is estimated to have increased by 0.9% in nominal terms (without adjusting for inflation) over the year compared to 2020 Quarter 3. Compared to pre-pandemic levels, GDHI is 2.6% higher in nominal terms than in 2019 Quarter 4. The impact of the Coronavirus job retention scheme is one reason why the income of the household sector, as a whole, has not fallen as much as GDP, although there is a clear difference between compensation of employees (up 5.7% compared to pre-pandemic levels) and self-employed mixed income (down 3.6% compared to pre-pandemic levels).

Household Savings Ratio

In National Accounts, gross saving is calculated by subtracting household sector 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, and has been strongly impacted during the coronavirus pandemic.

In 2021 Quarter 3, the total value of household expenditure is estimated to have increased by 0.1% compared to the pre-pandemic level in 2019 Quarter 4. In contrast, the total income resources of the household sector have increased by 2.6% over that period. This means that the value of gross saving, for the sector as a whole, has increased during the pandemic. 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 11.8 per cent, which is down sharply from the peak of 26.7 per cent in 2020 Quarter 2 when expenditure was curtailed during the first lockdown, but still above the average value of 8.4 per cent in 2019.

Household sector income, expenditure and saving

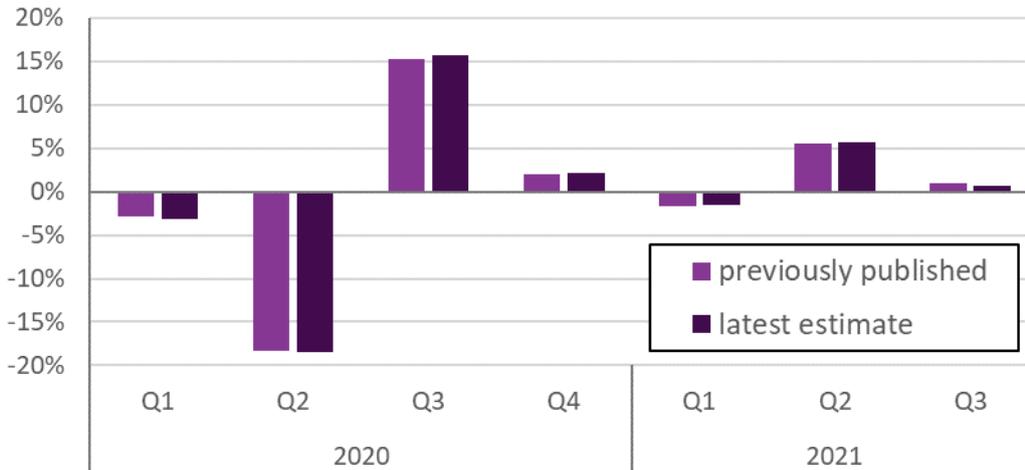


Revisions

In this release, Scotland’s onshore GDP in volume terms has been open for revision back to 2020 Quarter 1. In other components of GDP and the national accounts, revisions are also open back to 2018 in nominal terms.

The latest estimates of quarterly growth are compared to the previous estimates in the chart below, and further details can be found in GDP Table R1.1.

Revisions to GDP quarterly growth



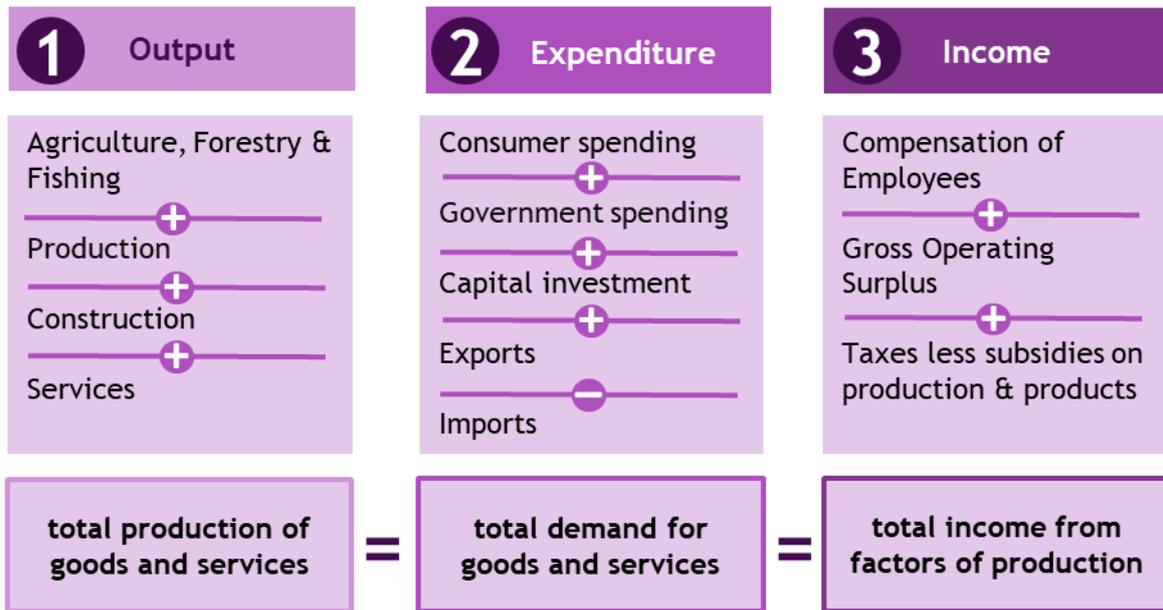
Growth in 2020 Quarter 3 has been revised down from 1.0% in the First Estimate to 0.7% in this release. The main sources of downward revision are updated estimates for health activity in the UK by the ONS, and lower levels of renewable electricity generation and financial services activity than provisionally estimated, which were partially offset by upward revisions in construction and manufacturing. In previous quarters, growth was revised down in 2020 Quarters 1 and 2, and up in the following four quarters to 2021 Quarter 1. These revisions largely cancel each other out over the course of the 18 months, but mean that annual growth in 2020 compared to 2019 has been revised down from -9.7% to -10.0%, but the rolling annual growth rate to 2020 Quarter 3 has been revised up to 3.5%.

In nominal terms, the revisions to real GDP in 2020 are reflected in a downward revision to nominal onshore GDP in that year as well. Using the income approach to GDP, PAYE Real Time Information has been used for the first time to determine changes in compensation of employment, replacing the previous estimates based on UK average weekly earnings. This has caused an upward revision in 2019 and a downward revision in 2020, which are offset by balancing revisions to gross operation surplus. In the expenditure approach to GDP there are relatively small revisions, mostly in the changes in inventories and imports series which include adjustments to ensure that total supply and demand remain in balance for each of the goods and services included in GDP.

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 2021	23 February 2022
GDP First Quarterly Estimate (national statistics), 2021 Quarter 4	16 March 2022
GDP Quarterly National Accounts (national statistics), 2021 Quarter 4	4 May 2022

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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

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