

ECONOMY AND LABOUR MARKET

GDP Quarterly National Accounts, Scotland

2022 Quarter 2 (April to June)

2 November 2022

This publication includes updated estimate of onshore GDP growth in real terms up to the second quarter of 2022, 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 2022 Quarter 2, Scotland's onshore GDP is estimated to have remained flat compared to the previous quarter (0.0% growth). This result is unrevised from the first estimate for the quarter published on 31 August.
- Output increased across parts of the services sector and construction, but was offset by falls in the manufacturing sector and reductions in coronavirus vaccination, testing and track and trace activity following the end of restrictions.
- Revised estimates of annual GDP growth show that Scotland's onshore GDP contracted by a downwardly revised 12.8% in 2020, followed by upwardly revised growth of 7.9% in 2021. The revisions mostly reflecting updated estimates of health service activity across the UK during the COVID-19 pandemic, reported in the latest UK GDP statistics.
- In quarterly terms, the level of real GDP in Scotland's onshore economy is now estimated to be 0.9% below the pre-pandemic level in 2019 Quarter 4.
- Compared to the same quarter in 2021, income from employment is estimated to have increased by 6.3%. After accounting for other income, interest payments, taxes and social contributions, total gross disposable income is up by 4.2%. Over the same period, total consumer expenditure is estimated to have increased by 11.1%, driven by high price inflation. This means that the household savings ratio has reduced to the lowest level since 2018 Quarter 4, and indicates a tightening in household finances.

Information About This Release

The coronavirus pandemic led to a number of challenges in collecting and processing the data to calculate GDP. As a result, estimates for 2020 and 2021, in particular, 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.

Second quarterly estimate of onshore GDP growth for 2022 Quarter 2

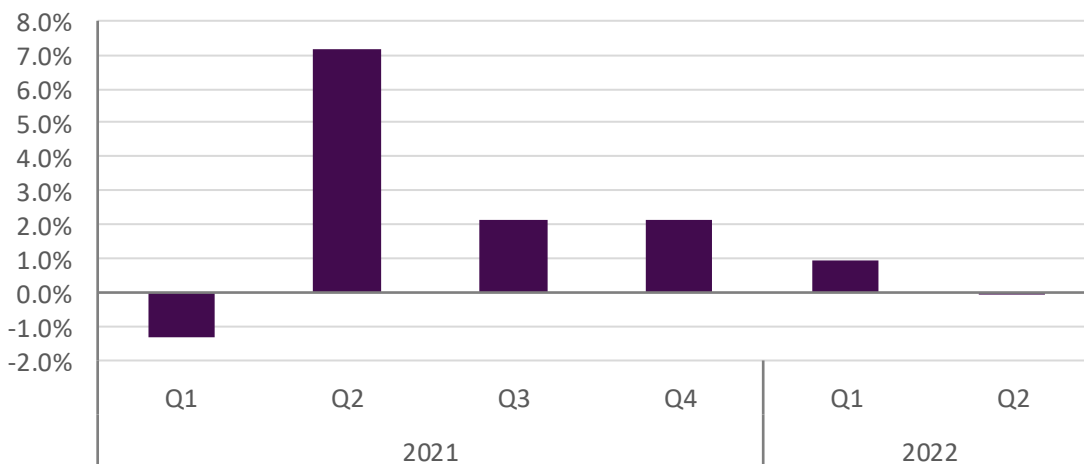
Scotland’s onshore GDP (i.e. excluding offshore oil and gas) is estimated to have remained flat in real terms (0.0% growth) during 2022 Quarter 2 (January to March), unrevised from the first estimate for the quarter published in September.

Compared to the same quarter last year, Scotland’s GDP has grown by 5.3%, revised up from the first estimate of 3.5%. This high rate of growth over the year continues to reflect the recovery from the low base level seen during periods of restrictions during the coronavirus pandemic in 2020 and 2021.

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In quarterly terms, following the revisions noted above, the level of GDP is now 0.9% below the level in 2019 Quarter 4, prior to the impacts of the coronavirus (COVID-19) pandemic, after an initial fall of 24.7% between 2019 Quarter 4 and 2020 Quarter 2.

GDP change compared to previous quarter, Scotland



In 2022 Quarter 2, output in the services sector increased by 0.4% compared to the previous quarter, with growth in seven of the fourteen subsectors. This was offset by falling output in other subsectors, including a reduction of 2.9% in health and social work activity which reflects the lower levels of coronavirus vaccination, test and trace activities following the end of restrictions on economic activities.

Output in the production sector fell by 2.0%, mostly due to a fall of 3.6% in manufacturing output.

Output in the construction sector increased by 0.9%.

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 August 2022 at the time of release.

GDP in nominal terms

In 2021 as a whole, annual onshore GDP is estimated to have been £167.6 billion in total, or £30,577 per person. This has increased from the much lower value of £153.1 billion estimated for 2020, and is now back above the pre-pandemic value of 2019.

In terms of the income approach to GDP, the largest part of the fall in nominal GDP in 2020, during the early phase of the pandemic, is accounted for by a decline in the value of taxes less subsidies on products and production. This reflected both a decrease in tax revenue, such as VAT, and an increase in subsidies such as the Coronavirus Job Retention Scheme (CJRS) and Self Employment Income Support Scheme (SEISS). Gross Operating Surplus, which mostly represents company profits, also fell strongly in 2020, but is estimated to have recovered close to pre-pandemic levels in 2021. Compensation of Employees (mostly wages and salaries) has increased over the last two years, supported in part by the increased subsidies, offsetting against the falls in other components.

Including oil and gas extraction in Scottish waters, Scotland's GDP in 2021 is estimated to be £179.9 billion in total, or £32,837 per person. This reflects a recovery in the oil price during 2021, relative to 2020, as well as the increased in onshore economic activity.

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 4) 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](#), and are planned to be updated during this year.

Labour productivity statistics, which report GDP per job or per hour worked are available [here](#). The latest estimates are for 2021.

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.

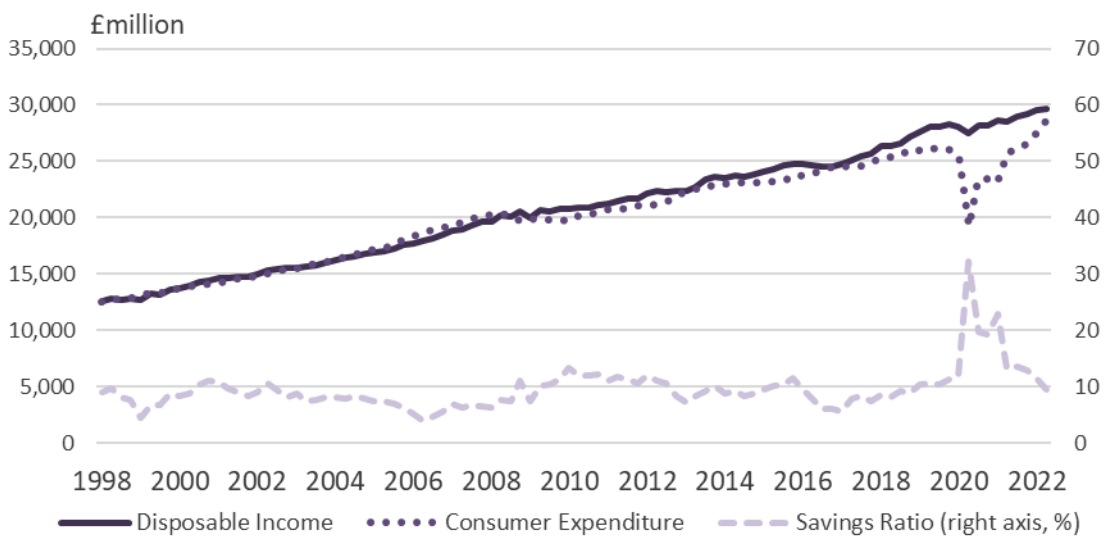
In 2022 Quarter 2, GDHI is estimated to have increased by 4.2% in nominal terms (without adjusting for inflation) over the year compared to 2021 Quarter 2. The largest part of GDHI is income from employment, which is up by 6.3% over the year. However, consumer expenditure has increased by 11.1% over the year, reflecting high levels of inflation.

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 2022 Quarter 2, the household savings ratio in Scotland is estimated at 9.4 per cent of total income resources, which is down sharply from the peak of 32.1 per cent in 2020 Quarter 2 when expenditure was curtailed during the first lockdown. The savings ratio is now back to its lowest level since 2018 Quarter 4, which indicates a tightening in household finances.

Household sector income, expenditure and saving



Revisions

In this release, Scotland's onshore GDP in volume terms has been open for revision back to the start of 2020. In other components of GDP and the national accounts in current prices, revisions are fully open back to the start of 2019 in nominal terms. In all cases, the main source of revisions in this release is from constraint to UK GDP source data, which was open for revision in all periods in the latest UK Quarterly National Accounts due to the update of estimates to be consistent with the annual Blue Book 2022. In volume terms, the main industries updated in this way are construction, financial services, and health and social care. The most significant revisions are seen in the deeper drop in health activity during 2020, due to updated estimates by ONS of health activity since the start of the pandemic. In current prices, the largest revisions are a downward revision to household final consumption expenditure, again in line with equivalent UK results, which are largely offset by revisions to RUK imports and changes in inventories which are driven by balancing adjustments to ensure that supply and demand are equal in all periods.

Growth in 2022 Quarter 2 is unrevised at 0.0% compared to the previous quarter. Further details can be found in GDP Table R1.1.

Following the publication of Scottish Supply and Use Tables for 1998-2019 on 26 October, the next release of Quarterly National Accounts for Scotland is planned to include the reweighting of GDP and its components, and the change in base year to 2019.

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

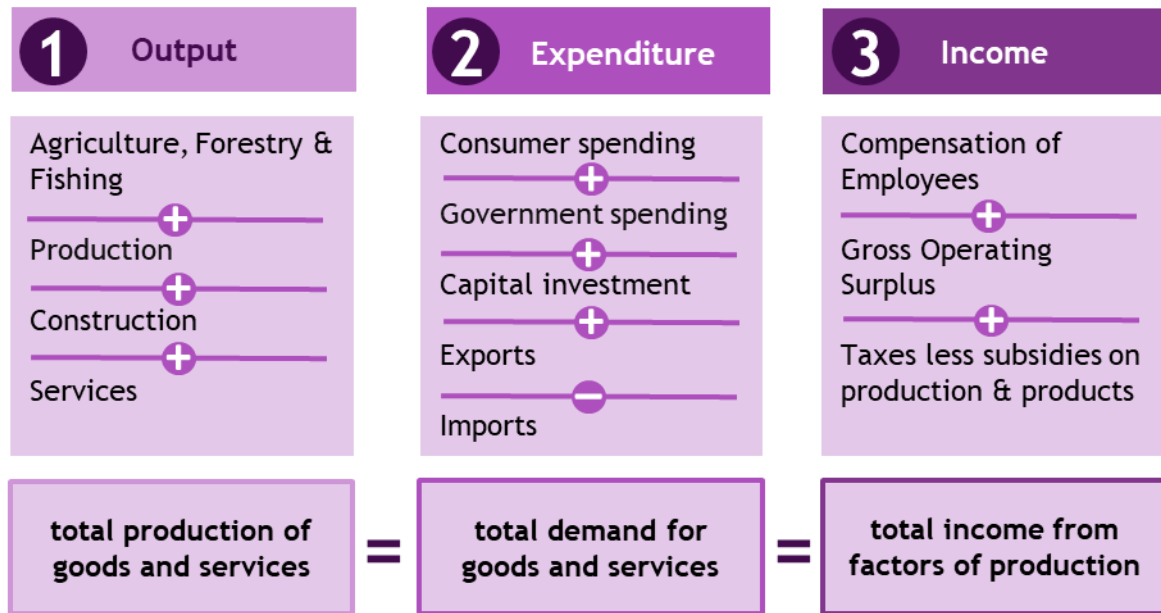
This publication includes the second estimate of onshore GDP growth for 2022 Quarter 2 (April to June), which uses additional data released since the Quarterly GDP First Estimate published on 28 September 2022. The results in this release are comparable to the UK Quarterly National Accounts for Quarter 2 published on 30 September 2022.

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.

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 2022	30 November 2022
GDP First Quarterly Estimate (national statistics), 2022 Quarter 3	30 November 2022
GDP Quarterly National Accounts (national statistics), 2022 Quarter 3	1 February 2023

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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