

Statistical bulletin

# UK Non-Financial Business Economy: 2013 Regional Results (Annual Business Survey)

Size and growth within the UK non-financial sectors as measured by the Annual Business Survey.



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# 1 . Main points

- In 2013, the income generated by local activity of businesses in the UK, less the cost of goods and services used to create this income, reached £1 trillion for the first time and was estimated to be £1,001.1 billion. This amount represents the approximate Gross Value Added at basic prices (aGVA) by local activity of the businesses in the UK Non-Financial Business Economy
- Between 2012 and 2013, aGVA increased by 7.2% (£67.0 billion), the largest annual percentage increase following the recession. This increase is a continuation of the recovery seen between 2009 and 2012 and takes aGVA 10.1% (£92.2 billion) above the level seen in 2008
- Of the 12 UK regions 11 saw growth in aGVA between 2012 and 2013, with the highest contribution to overall growth from London, Scotland and the North West. The North East was the only region that saw a fall in aGVA (£0.4 billion)
- The region with the largest aGVA increase of £19.4 billion (9.4%) between 2012 and 2013 was London, with growth in its Non-Financial Service sector of 14.5% (£22.0 billion) contributing most. With 3 of the 5 industrial sectors showing growth, aGVA has increased 5.7% (£12.3 billion) above the level seen in London in 2008 for the first time
- The second largest aGVA increase of £10.2 billion (12.1%) between 2012 and 2013 was for Scotland where all industrial sectors contributed to growth. aGVA is now 4.4% (£4.0 billion) above its 2008 level, with the Non-Financial Service sector the main contributor with an increase of 31.5% (£9.5 billion) between 2008 and 2013
- The level of aGVA in 11 out of the 12 UK regions in 2013 is now above that seen in 2008, with only Yorkshire and The Humber 2.4% (£1.5 billion) lower than its 2008 level

## 2 . Overview

Estimates of the size and growth of the UK Non-Financial Business Economy, based on the local activity of businesses as measured by the Annual Business Survey (ABS), are presented in this release. It is the key resource for understanding the detailed structure, conduct and performance of businesses across the UK at a regional level. The release covers the following sectors:

- non-financial services (includes professional, scientific, communication, administrative, transport, accommodation and food, private health and education, and entertainment services)
- distribution (includes retail, wholesale and motor trades)
- production (includes manufacturing, oil and gas extraction, and energy generation and supply)
- construction
- parts of agriculture (includes agricultural support services, forestry and fishing)

Together these industries represent the UK Non-Financial Business Economy and account for around two-thirds of the whole economy of the UK in terms of Gross Value Added. Public administration and defence, public sector health and education, finance and parts of agriculture make up the difference between the UK Non-Financial Business Economy and the whole economy.

Regional ABS estimates are produced by apportioning the survey return from each reporting unit to its individual sites, with these then being summed to the regional level. For the national ABS results, industry breakdowns are obtained by classifying enterprises to industries. For the regional ABS results, this classification is done for individual sites, so industry breakdowns at the UK level in the national release will not necessarily match those in the corresponding regional release. For example, an enterprise contributing wholly to Production at the national level may have local units contributing to other sectors (for example Wholesale) at the regional level. More information can be found under Regional apportionment in background note 9 of this release.

Due to ongoing volatility in the estimates for the Insurance & reinsurance industries (SIC 2007 Groups 65.1 and 65.2 respectively) they have been removed from this release since July 2014. For more detail see background note 9.

Although the estimated total for the UK Business Economy in the regional ABS results is constrained to equal that in the corresponding national ABS results, the published totals for the UK Non-Financial Business Economy will not necessarily be the same following the removal of data for the Insurance & reinsurance industries (Groups 65.1 and 65.2) from the regional results after apportionment has taken place.

As a result, an enterprise contributing wholly to Insurance & reinsurance at the national level (and therefore removed from the national totals) may have local sites in other industries which will still contribute to the regional totals. Likewise, an enterprise contributing wholly to the Distribution sector (and therefore included in the national totals) may have a local site in Insurance & reinsurance whose contribution will be removed from the regional totals.

Estimates published in this release include turnover, purchases, approximate Gross Value Added at basic prices (aGVA) and employment costs. All data are reported at current prices (effect of price changes included). Therefore, users should note that unlike the constant prices published in the National Accounts, ABS figures do not remove the effect of inflation on prices.

Data on purchases for 2012 and 2013 has been produced using a new methodology for apportioning reporting unit purchases to the local unit level. This has introduced a small discontinuity in the purchases and aGVA data series, with 2008 to 2011 still calculated using the original method. Advance notification describing the change was published in an [information paper \(226.4 Kb Pdf\)](#) on 11 June 2015.

Where the recession is mentioned, it refers to the contraction of GDP that started in 2008, the year from which a consistent ABS time series is available. For more information about the survey see the background notes.

The ABS has a wide range of uses: for example, ABS statistics are essential contributors to the [UK National and Regional Accounts](#), including the measurement of [Gross Domestic Product \(GDP\)](#), they are supplied to Eurostat to meet the requirements of the European Structural Business Statistics (SBS) Regulation, and are used by the devolved administrations and central and local government to monitor and inform policy development. For other uses see background note 4.

The ABS is also publishing an analysis on [Who owns businesses in the UK? \(2013\)](#), which for the first time contains regional breakdowns of the ownership counts.

Questions often asked of the ABS release are "[What is aGVA?](#)" and "How does the measure of aGVA differ from the GVA measure in the National and Regional Accounts?" For an overview of aGVA please see our infographic "[What is aGVA?](#)". National Accounts carry out coverage adjustments, conceptual adjustments and coherence adjustments, in turn these estimates are used in the Regional Accounts. The National and Regional Accounts estimate of GVA uses input from a number of sources, and covers the whole UK economy, whereas ABS does not include farming, financial or public sectors. ABS total aGVA is around two-thirds of the National Accounts whole economy GVA because of these differences. For further information on aGVA, see background note 9. There is also a recently published article '[A Comparison between ABS and National Accounts Measures of Value Added](#)' ([462.3 Kb Pdf](#)) which provides more detail.

We make every effort to provide informative commentary on the data in this release. Where possible, the commentary draws on evidence from businesses or other sources of information to help explain possible reasons behind the observed changes. However, it is difficult for businesses to provide detailed reasons for movements which are specific to a region, for example, businesses may state a "change in the nature of business activity across all sites". Consequently, it is not possible for all data movements to be fully explained at a regional level. Users may benefit from reading the commentary in this release in conjunction with that in the [UK Non-Financial Business Economy, 2013 Revised Results](#) (national level) release, published on 11 June 2015. As the ABS regional estimates are produced by apportionment of the national results to a local level, all industry information noted in the National release will apply.

### 3 . Your views matter

We are interested in your views of our data and publication. Please take time to complete a [short survey](#) before 14 August 2015.

We constantly aim to improve this release and its associated commentary. We would welcome any feedback you might have, and would be particularly interested in knowing how you make use of these data to inform your work. Please contact us via email: [abs@ons.gsi.gov.uk](mailto:abs@ons.gsi.gov.uk) or telephone Jon Gough on +44 (0)1633 456720.

### 4 . Interactive map for the UK non-financial business economy by NUTS 1 region

A [mapping tool](#) is available for viewing these results, by [NUTS 1 region](#) and the UK as a whole. The mapping tool can be used to illustrate how aGVA, turnover, purchases and employment costs have changed across the regions from 2008 to 2013, as well as enabling comparisons with other regions. In addition to maps for the Non-Financial Services, Production, Distribution and Construction sectors, the tool has been enhanced this year to include a map for the Manufacturing sector.

### 5 . UK non-financial business economy, sections A to S (part)

In 2013, the income generated by local activity of Non-Financial businesses in the UK, less the cost of goods and services used to create this income, was estimated to be £1,001 billion. This amount represents the approximate Gross Value Added at basic prices (aGVA) of the UK Non-Financial Business Economy at a local activity level. Between 2012 and 2013 aGVA increased by 7.2% (£67.0 billion); a continuation of the recovery seen between 2009 and 2012. This increase resulted in aGVA for 2013 reaching £1 trillion for the first time, and was above the level seen in 2008, at the start of the recession, for the third consecutive year.

The main drivers of aGVA are:

1. turnover (the main component of income)
2. purchases (the main component of the consumed goods and services)

The consecutive annual increases seen in aGVA are a result of similar consecutive increases in both turnover and purchases. Turnover increased by 6.3% (£210.3 billion) between 2012 and 2013, while purchases of goods, materials and services increased at a similar rate of 6.4% (£150.3 billion), resulting in an aGVA growth rate that was higher than that for turnover. As with aGVA, turnover and purchases were above levels seen in 2008, at the start of the recession, for the third consecutive year. For further details on the components of aGVA see Calculation of Gross Value Added Estimates in background note 9.

The Non-Financial Service sector, the largest broad industry group, contributed most to overall growth. Non-Financial Service sector aGVA rose by 11.2% (£56.0 billion) between 2012 and 2013, the fourth consecutive annual increase taking it to its highest level of £554.1 billion since the series began (see Figure 1).

## Figure 1: UK Non-Financial Business Economy, local level aGVA by sector, 2008 to 2013

Source: Office for National Statistics

### Notes:

1. Approximate GVA for the UK Non-Financial Business Economy in the regional release is different to that published in the national release (June 2015). More information can be found in background note 9

The recession and recovery described by the ABS between 2008 and 2013 is broadly in line with Gross Domestic Product (GDP) figures published in the National Accounts. Both the ABS aGVA estimates and the latest National Accounts GDP estimates (taken from the Second Estimate for Quarter 1 (Jan to Mar) 2015) show a fall between 2008 and 2009 and then 4 consecutive annual increases from 2009 to 2013 led by the Service sector.

Due to the need to balance timeliness of the data with the accuracy, in-line with the ABS Revisions Policy, the ABS regional results for 2012 that were published in July 2014 have been subjected to further quality assurance leading to planned revisions to the data included in this release.

These revisions usually arise from the receipt of additional data and the correction of existing data by businesses responding to the ABS, which may include restructures that can result in data being reallocated to a different industry.

At the UK level, aGVA generated by local activity of businesses in the UK Non-Financial Business Economy for 2012 was revised downwards by 0.2% (£1.6 billion). Revisions at the sub-national level following continued quality assurance of the data are mixed, with 5 of the 12 regions showing downward revisions totalling £9.5 billion, offset by upward revisions totalling £7.9 billion in the 7 remaining regions.

This year, the introduction of a new purchases apportionment process contributed £2.0 billion of the £8.6 billion upward revision to purchases, in turn contributing to the downward revision of aGVA. An [impact analysis \(129.5 Kb Excel sheet\)](#) of this methodology change (at region and SIC division level) can be found in the data section of this publication.

A list of industries which are included in the ABS measure of the UK Non-Financial Business Economy, can be found in background note 9.

## The Regional Picture

The industrial composition of regions in the UK varies considerably (see Figure 2). Wales and Scotland show a similar contribution to their aGVA from both the Non-Financial Service and Production sectors (each around two-fifths of their respective aGVAs in 2013) while other regions such as London have a dominant Non-Financial Service sector (around three-quarters of its aGVA in 2013) with a smaller share of value added being generated from Production and other sectors.

## **Figure 2: UK Non-Financial Business Economy, local level aGVA, industrial composition by NUTS 1 region, 2013**

Source: Office for National Statistics

The largest 3 regions in terms of total aGVA were London, the South East and the North West together contributing just under half of the total aGVA in the UK Non-Financial Business Economy (see Figure 3).

## **Figure 3: UK Non-Financial Business Economy, local level aGVA by NUTS 1 region, 2008 to 2013**

Source: Office for National Statistics

Of the 12 regions, all saw growth in aGVA between 2012 and 2013 except for the North East. London, Scotland and the North West contributed most to the overall growth (see Figure 4).

The East Midlands, West Midlands and the South East all saw a fourth consecutive year of growth in 2013, following falls between 2008 and 2009. The sub-national picture now shows just 1 region, Yorkshire and The Humber with aGVA marginally below the level seen in 2008, at the start of the recession.

## **Selected Regional Summaries (in Order of Size of the Value Change in aGVA between 2012 and 2013)**

### **London**

London contributed the most to aGVA growth in the UK Non-Financial Business Economy between 2012 and 2013, increasing by 9.4% (£19.4 billion) (see Figure 4). Its growth was dominated by the Non-Financial Service sector (Sections H-S), the largest industry group in terms of aGVA contributing £22.0 billion to the region's total aGVA growth, (a rise of 14.5%). A list of industries which are included in the ABS measure of the UK Non-Financial Business Economy, can be found in background note 9.

The 2 main contributors to growth within the Non-Financial Service sector were Professional, scientific & technical activities (Section M) and Arts, entertainment & recreation (Section R).

Within Professional, scientific & technical activities, the main increases were in Activities of head offices; management consultancy activities (Division 70) and Advertising & market research (Division 73). For Arts, entertainment and recreation activities, the main increase was in Gambling & betting activities (Division 92).

At the same time the Production sector (Sections B-E) saw a decrease in aGVA of 13.7% (£2.5 billion).

The overall growth puts the aGVA for London above its 2008 level for the first time, with a growth between 2008 and 2013 of 5.7% (£12.3 billion).

## **Scotland**

Scotland made the second largest contribution to aGVA growth in the UK Non-Financial Business Economy between 2012 and 2013, increasing by 12.1% (£10.2 billion). All 5 industry sectors have contributed to the aGVA growth in Scotland, with the largest contribution of 15.9% (£5.4 billion) from its Non-Financial Service sector (Sections H-S). The largest increase within this sector was in Professional, scientific & technical activities (Section M).

The Distribution sector (Section G) made the next largest sector contribution to aGVA growth, with a 30.1% (£3.1 billion) increase.

This overall growth puts the aGVA for Scotland above its 2008 level for the first time, with a growth of 4.4% (£4.0 billion) between 2008 and 2013.

## **North West**

The aGVA in the North West grew by 10.9% (£9.8 billion) between 2012 and 2013. This was led by the Distribution sector (Section G) which increased by 40.1% (£5.4 billion) and the Non-Financial Service sector (Sections H-S) increasing by 8.8% (£3.9 billion).

The growth in aGVA for the Distribution sector (Section G) in this region follows 3 consecutive years in decline and shows aGVA above the level recorded in 2008, at the start of the recession.

In contrast, aGVA for the Non-Financial Service sector (Sections H-S) shows a fifth consecutive year of growth with an overall rise of 27.8% (£10.6 billion) since 2008.

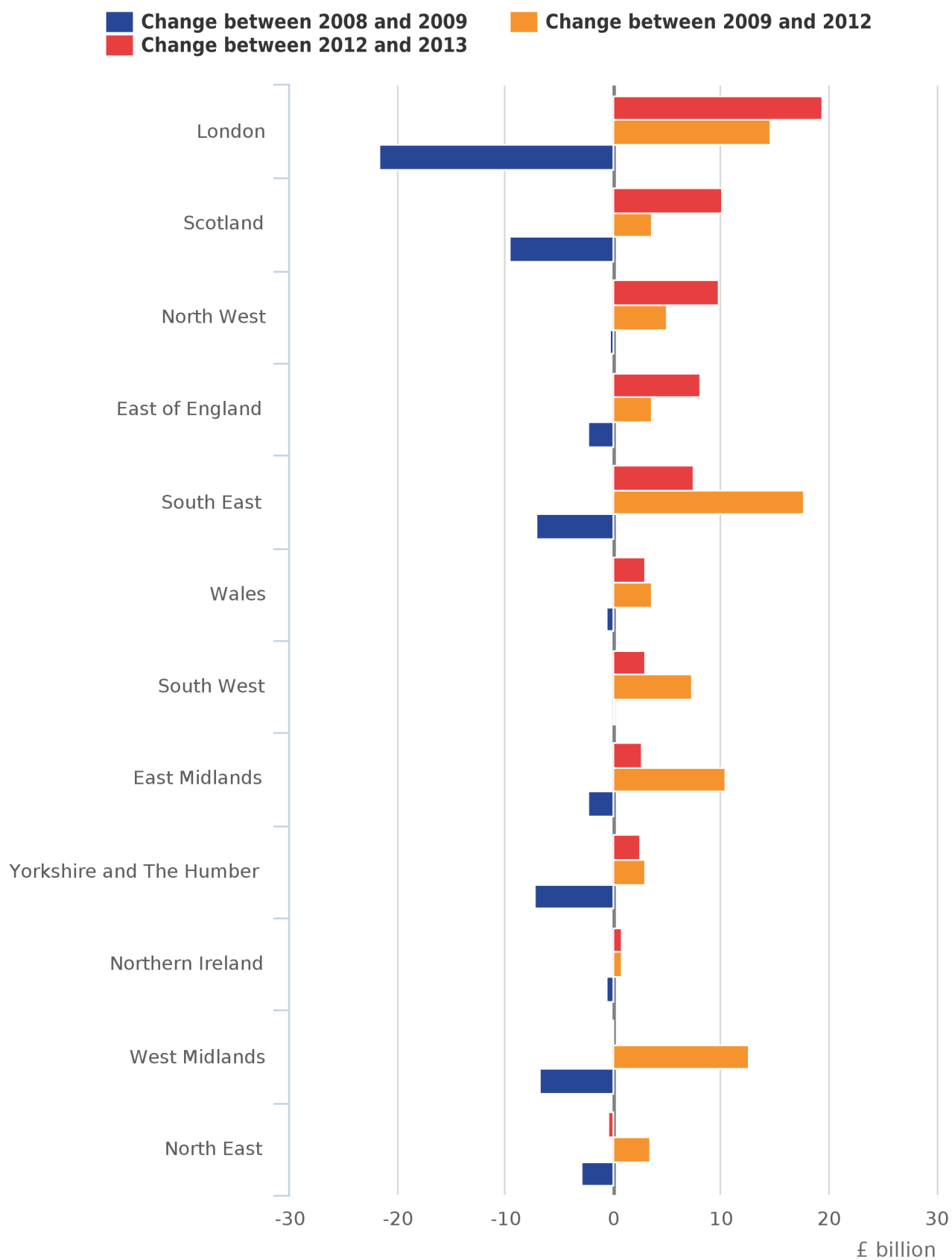
## **North East**

The North East is the only region to show a fall in aGVA between 2012 and 2013. Following 3 consecutive years of growth, there was a fall of 1.3% (£0.4 billion). The decrease in aGVA in 3 of the 5 sectors was led by the Construction sector (Section F) which fell by 24.0% (£0.7 billion).

Despite this overall decline, the region's aGVA still remains above the level recorded in 2008, at the start of the recession.

**Figure 4: UK Non-Financial Business Economy, local level aGVA change by NUTS 1 region**

2008 to 2013



Source: Office for National Statistics



## NUTS 2 Sub-regional distribution of aGVA in the UK

The 12 statistical regions of the UK described above refer to the [NUTS 1 European regions](#) (Nomenclature for Territorial Units for Statistics, level 1). These regions can be further subdivided to NUTS level 2 which has 37 sub-regions in the UK.

This greater level of detail shows where the aGVA within the NUTS 1 regions is geographically concentrated (see Map 1). The largest sub-regions in the Non-Financial Business Economy in terms of total aGVA were:

- Inner London (UKI1) with 15.5% of the UK total
- Outer London (UKI2) with 7.2% of the UK total
- Berkshire, Buckinghamshire & Oxfordshire (UKJ1) with 5.8% of the UK total
- Surrey, East & West Sussex (UKJ2) with 4.4% of the UK total
- Greater Manchester (UKD3) with 4.0% of the UK total

### Map 1: UK Non-Financial Business Economy, local level aGVA by NUTS 2 region, 2013

In terms of aGVA growth between 2012 and 2013, 30 sub-regions showed an increase, with just under half concentrated within 4 sub-regions (see Figure 5):

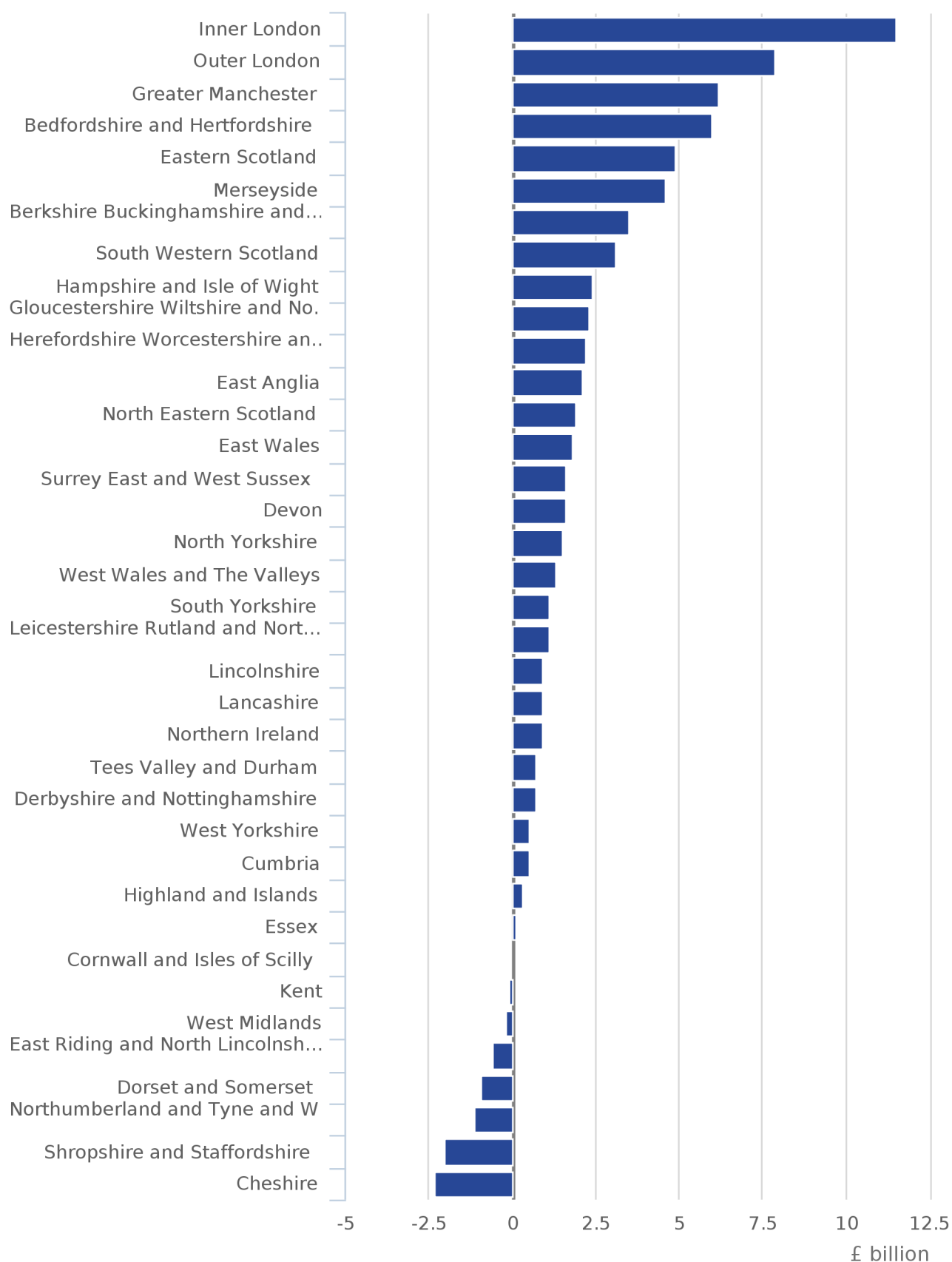
- Inner and Outer London (UKI1 and UKI2)
- Greater Manchester (UKD3)
- Bedfordshire and Hertfordshire (UKH2)

There were 7 sub-regions that showed a fall in aGVA with the largest falls in:

- Cheshire (UKD6)
- Shropshire and Staffordshire (UKG2)

**Figure 5: UK Non-Financial Business Economy, local level aGVA change by NUTS 2 region**

2012 to 2013



Source: Office for National Statistics

To help identify the geography of each of the 37 NUTS 2 sub-regions, click on this [searchable pdf map \(841.8 Kb Pdf\)](#).

## 6 . Non-financial service industries, sections H to S (part)

Between 2012 and 2013, turnover in the UK Non-Financial Service sector has grown by 6.5% (£69.6 billion). With purchases also increasing by 5.0% (£28.0 billion), this resulted in an aGVA increase of 11.2% (£56.0 billion). For further details on the components of aGVA, see Calculation of Gross Value Added Estimates in background note 9.

This was the fourth consecutive annual increase in aGVA, with the 11.2% growth rate between 2012 and 2013 the largest since the start of the recession in 2008.

The largest contribution to the growth between 2012 and 2013 came from Professional, scientific & technical activities (Section M) which increased by 17.4% (£21.4 billion) and followed a small fall in aGVA in the previous year.

London (£173.0 billion) and the South East (£92.3 billion) made the largest contribution to aGVA in the Non-Financial Service sector in 2013 (see Figure 6).

### Figure 6: Non-Financial Services, local level aGVA by NUTS 1 region, 2008 to 2013

Source: Office for National Statistics

#### Notes:

1. Excludes Financial and insurance; Public administration and defence; Public provision of Education; Public provision of Health and all medical and dental practice activities

All regions have contributed to growth in the Non-Financial Service sector in 2013 and are above the levels seen at the start of the recession. London, the South East and Scotland made the largest contributions to aGVA growth (see Figure 7).

### London

London made the largest contribution to growth in aGVA in the Non-Financial Service sector between 2012 and 2013, a rise of 14.5% (£22.0 billion) for the region to £173.0 billion. Although this follows a fall in aGVA for the previous year, Non-Financial Service sector aGVA for London has, since 2010, been above the level recorded in 2008 at the start of the recession.

The 3 main industries driving growth between 2012 and 2013 were Professional, scientific & technical activities (Section M), Arts, entertainment & recreation (Section R) and Administrative & support service activities (Section N), contributing £9.6, £4.1 and £4.0 billion respectively to the increase in London's Non-Financial Service sector aGVA.

The increase within Professional, scientific & technical activities was driven by Activities of head offices; management consultancy activities (Division 70) and Advertising & market research (Division 73).

For Arts, entertainment and recreation activities, the main driver was Gambling & betting activities (Division 92), where some businesses noted that restructuring had impacted on their reported data. The growth in this industry could in part be attributed to the increase in internet usage of the interactive entertainment industry in recent years.

Within Administrative & support service activities, the increase was driven by Travel agency, tour operator & other reservation service & related activities (Division 79), where general increases in business activity were reported.

## **South East**

The South East made the second largest contribution to aGVA growth in the Non-Financial Service sector between 2012 and 2013, with a rise of 8.8% (£7.4 billion) for the region.

In the South East, the Non-Financial Service sector has recorded 5 consecutive years of annual growth above the level recorded in 2008, and continues to be both the dominant sector in terms of total aGVA contribution and growth in the region.

As in London, the 3 main sectors causing growth in the South East's Non-Financial Service sector were Professional, scientific & technical activities (Section M), Arts, entertainment & recreation (Section R) and Administrative & support service activities (Section N), contributing £2.4, £2.0 and £0.8 billion respectively to the increase in aGVA.

## **Scotland**

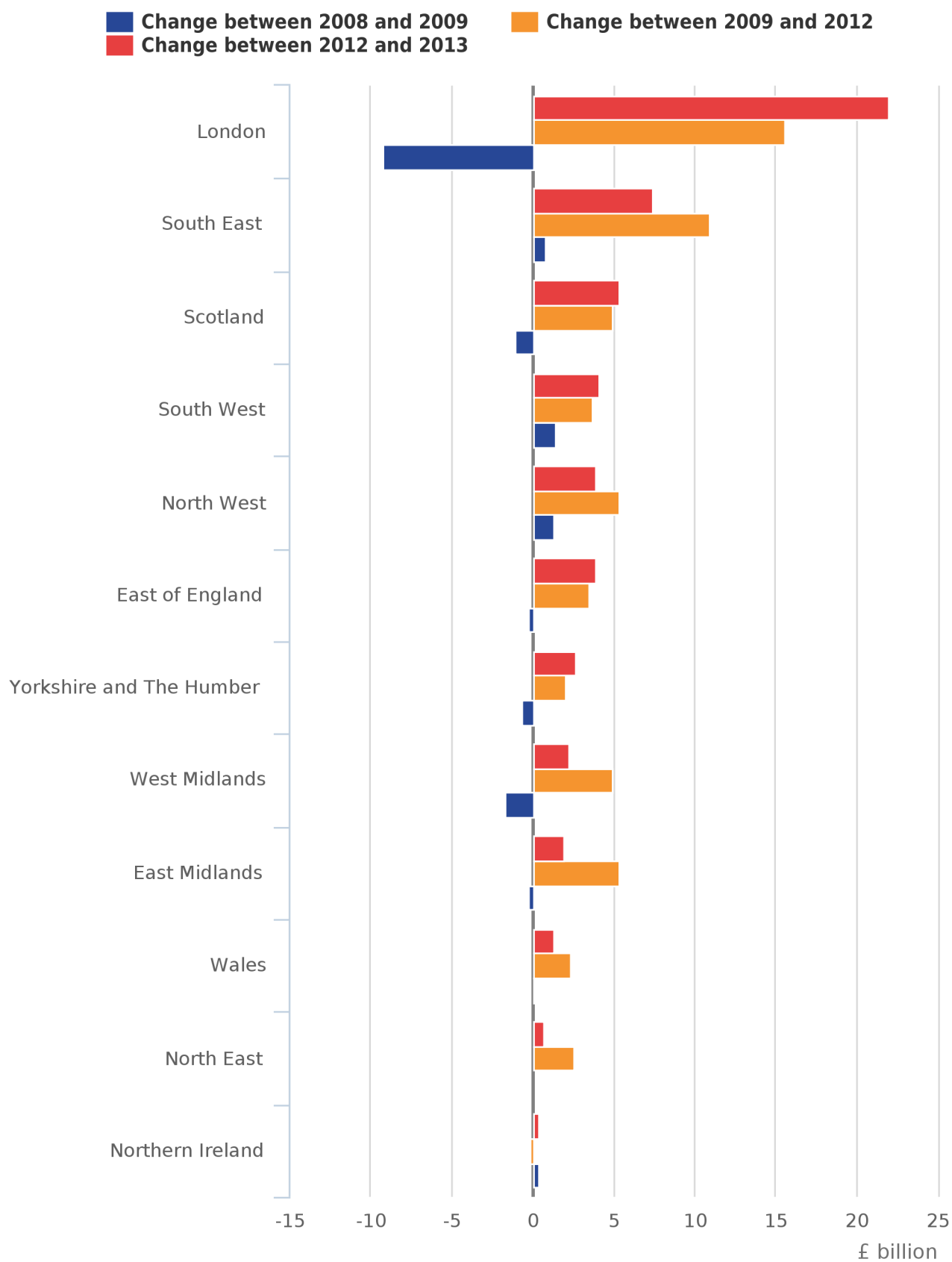
Scotland contributed £5.4 billion to total aGVA growth in the Non-Financial Service sector between 2012 and 2013, a rise of 15.9% for the region. This is the third consecutive annual increase in Scotland's aGVA for this sector, with aGVA above the level recorded for 2008, at the start of the recession, since 2011.

The Non-Financial Service sector's growth in aGVA in Scotland was reported for all industrial sections, but was driven by the increase in Professional, scientific & technical activities (Section M), which accounted for just under a third of the total growth in the sector.

The largest increase in aGVA within Professional, scientific & technical activities was seen in Activities of head offices; management consultancy activities (Division 70) which increased by £1.1 billion to £2.0 billion following a fall in the previous 2 periods.

**Figure 7: Non-Financial Services, local level aGVA change by NUTS 1 region**

2008 to 2013



Source: Office for National Statistics

**Notes:**

1. Excludes Financial and insurance; Public administration and defence; Public provision of Education; Public provision of Health and all medical and dental practice activities

## 7 . Production industries, sections B to E

Turnover in the Production sector increased between 2012 and 2013 by 1.1% (£7.6 billion). However, purchases and taxes also increased by 0.7% (£3.3 billion) and 34.0% (£7.2 billion) respectively, which resulted in a decrease in aGVA by 0.5% (£1.2 billion). For further details on the components of aGVA, see Calculation of Gross Value Added Estimates in background note 9.

This is the first recorded fall in aGVA for the sector since 2009 and keeps Production aGVA below the level recorded at the start of the recession in 2008.

The decline in aGVA between 2012 and 2013 was mainly a result of decreases in Energy generation & supply (Section D) by 7.7% (£2.0 billion) and Mining & quarrying (Section B) by 5.8% (£1.5 billion).

A possible reason for the fall in aGVA for the Mining & quarrying industry is the reduction in oil extraction. North Sea oil and gas reserves are becoming increasingly difficult to extract, in part due to ageing extraction equipment which has required extensive repair and maintenance. Also natural declines in the reserves in older fields were further exacerbated in 2013 by an increased amount of time lost to unplanned shutdowns. Despite increased levels of investment, production efficiency has declined, as there is expected to be a lag in the investment being reflected in increased production.

At the regional level Scotland (£35.1 billion), the North West (£25.5 billion) and the South East (£22.4 billion) made the largest contributions to Production sector aGVA in 2013, see Figure 8.

### Figure 8: Production, local level aGVA by NUTS 1 region

2008 to 2013

Source: Office for National Statistics

Within the production sector, 5 of the 12 regions showed a fall in aGVA between 2012 and 2013 with the largest decreases in the South East and London. The largest increase was in the West Midlands followed by Scotland (see Figure 9). The Production sector overall has yet to return to the levels recorded in 2008, at the start of the recession.

### South East

The aGVA in the South East fell by £2.7 billion in the Production sector between 2012 and 2013, a fall of 10.6% for the region. Following 3 consecutive years of growth, the decline in 2013 means aGVA for the region is below the level reported in 2008 at the start of the recession.

The aGVA decrease is dominated by the fall seen in Manufacturing (Section C), mainly in Manufacture of coke & refined petroleum products (Division 19). This industry shows a decrease of £1.0 billion in aGVA between 2012 and 2013, with increases in taxes reported by some businesses contributing to the decline.

## London

London's aGVA fell by £2.5 billion in the Production sector between 2012 and 2013, a fall of 13.7% for the region. After 2 consecutive years of growth, the decline in 2013 means aGVA for the region has still not recovered to the level reported in 2008.

The aGVA decrease was mainly in Energy Generation & Supply (Section D) which had a 61.4% decrease of £2.7 billion, and where businesses reported structure changes.

**Figure 9: Production, local level aGVA change by NUTS 1 region**

2008 to 2013



Source: Office for National Statistics



## Manufacturing Industries, Section C

Turnover in the Manufacturing sector increased between 2012 and 2013 by 2.0% (£9.6 billion). However, purchases and taxes also increased by 0.5% (£1.7 billion) and 38.1% (£6.9 billion) respectively, which resulted in an increase in aGVA of 0.9% (£1.3 billion). For further details on the components of aGVA, see Calculation of Gross Value Added Estimates in background note 9.

At the regional level the North West, the West Midlands and the South East made the largest contributions to Manufacturing aGVA in 2013 (see Figure 10).

### Figure 10: Manufacturing, local level aGVA by NUTS 1 region

2008 to 2013

Source: Office for National Statistics

#### Notes:

1. 2009 to 2012 data for the South East and the East of England are suppressed to avoid disclosure

Within the manufacturing sector, 8 of the 12 regions showed a rise in aGVA between 2012 and 2013, with the largest increase in the West Midlands (see Figure 11). This is the fourth consecutive year of growth for the Manufacturing sector and aGVA continues to increase above the recorded levels in 2008, at the start of the recession.

### West Midlands

The West Midlands contributed £1.8 billion to the total aGVA increase in Manufacturing between 2012 and 2013, a rise of 12.8% for the region. This is the fourth consecutive year that Manufacturing aGVA in the region has been above the level reported in 2008, at the start of the recession, despite a small fall between 2011 and 2012.

The aGVA increase is dominated by the rise seen in Manufacture of motor vehicles, trailer and semi trailers (Division 29). This industry shows an increase of 40.8% (£1.2 billion) in aGVA between 2012 and 2013, with some businesses confirming they were making a good margin on their sales over the period.

**Figure 11: Manufacturing, local level aGVA change by NUTS 1 region**

2008 to 2013



Source: Office for National Statistics

Notes:

1. The South East and the East of England are excluded to avoid disclosure

## Notes for production industries, sections B to E

1. Across the Production sector many divisions have been affected by a trend amongst multinational companies towards restructuring on an international basis. This type of restructuring has caused companies to be classified under different sectors to those they have historically occupied, with movements from traditional production industries towards wholesalers and toll processors. Therefore care should be taken when making comparisons over time.

### 2. Manufacturing (section C)

Please note that the ABS figures for the Manufacturing industries should not be compared directly with PRODCOM's 'Total Sales of Businesses Classified to this Industry' figure because:

- PRODCOM publish a calendar year figure whereas ABS figures are based on annual responses from businesses cover a range of financial years,
- PRODCOM focuses on products whilst ABS focuses on activities. The total value of production, in a particular industry, may differ from the turnover reported by ABS as an enterprise might carry out other activities, in addition to production, that contribute to its turnover,
- PRODCOM and ABS produce estimates using different sampling and statistical methodologies,
- PRODCOM publish industrial classes excluding HMRC Duty, while ABS publishes turnover inclusive of Duty.

## 8 . Distribution industries, section G

Turnover in the Distribution sector increased between 2012 and 2013 by 9.0% (£124.5 billion). With purchases also increasing by 9.3% (£113.5 billion), this resulted in an increase in aGVA by 6.4% (£9.5 billion). For further details on the components of aGVA, see Calculation of Gross Value Added Estimates in background note 9.

This is the second consecutive year of growth for the sector, but aGVA has still to return to a level above that reported in 2008, at the start of the recession.

All 3 divisions in the Distribution sector contributed to the aGVA growth between 2012 and 2013, with the largest contribution of 8.0% (£4.4 billion) from Wholesale (excluding motor trades) (Division 46) followed by Motor Trades (Wholesale & Retail) (Division 45) with 17.1% (£3.9 billion).

At the regional level, the South East (£29.9 billion) and London (£23.5 billion) continue to make the largest contribution to Distribution sector aGVA in 2013 (see Figure 12).

### Figure 12: Distribution, local level aGVA by NUTS 1 region

2008 to 2013

Source: Office for National Statistics

Of the 12 regions, 6 saw a rise in Distribution sector aGVA between 2012 and 2013, with the largest contribution coming from the North West and the East of England (see Figure 13). The largest contributor to the increase in aGVA within both these regions was the wholesale industry.

## **North West**

The North West contributed £5.4 billion to the increase in aGVA in the Distribution sector between 2012 and 2013, a rise of 40.1% for the region. This follows 3 consecutive years of decline in this sector and for the first time since 2010 brings Distribution aGVA above the level recorded in 2008.

The largest increase was in Wholesale (excluding motor trades) rising by 119.7% (£4.1 billion), although without accounting practice changes and continued business restructuring, the rise may have been less pronounced (see Notes for Distribution Industries).

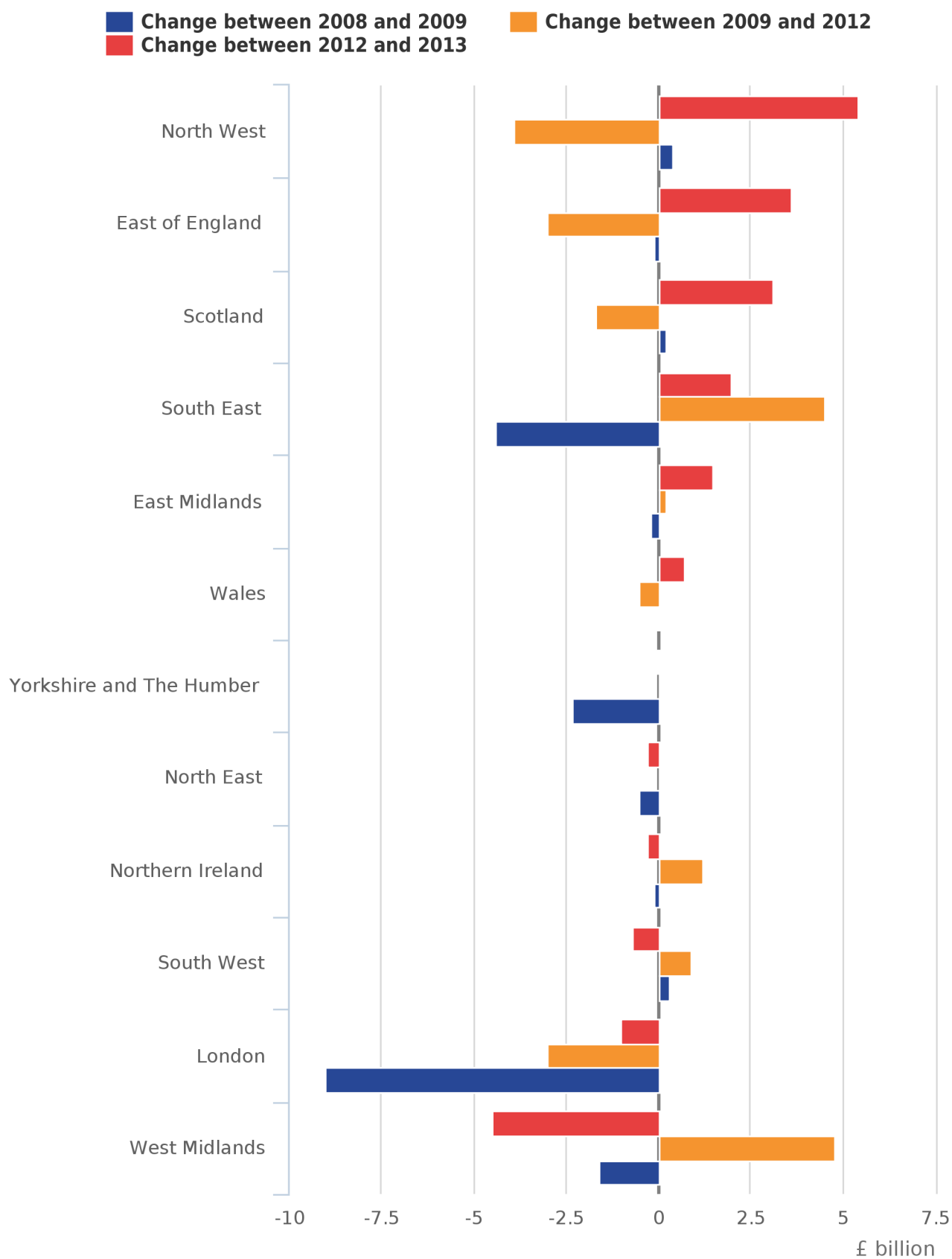
## **East of England**

The East of England contributed £3.6 billion to the increase in Distribution aGVA between 2012 and 2013, a rise of 28.1% for the region. The increase follows 4 consecutive years of decline and brings Distribution aGVA for the region to a level above that recorded in 2008 for the first time.

All 3 Distribution divisions contributed to the sectors aGVA growth in this region. The largest contribution to growth of 41.3% (£1.8 billion) was from Wholesale (excluding motor trades) with industry restructuring again playing a part in the change.

**Figure 13: Distribution, local level aGVA change by NUTS 1 region**

2008 to 2013



Source: Office for National Statistics

## Notes for distribution industries, section G

1. Across the Distribution sector some divisions continue to be affected by a trend amongst multinational companies towards restructuring on an international basis. Such restructuring has caused companies to be classified under different sectors to those they have historically occupied, with movements from traditional production industries towards wholesalers and toll processors. Therefore care should be taken when making comparisons over time.

## 2. Retail (excluding motor trades) (division 47)

Please note that the ABS figures for the Retail industry should not be compared directly with the annual 'value non seasonally adjusted' figures in the monthly 'Retail Sales Inquiry' release because:

- the ABS figures cover the United Kingdom, while the 'Retail Sales Inquiry' covers Great Britain only
- the ABS 'total' turnover figures in the main results tables represent sales to both business and the public and are published excluding VAT, while those in the 'Retail Sales Inquiry' represent sales to the public only and are published including VAT

3. The ABS does publish 'retail' turnover figures (for sales to the public only) in its Retail Commodities tables in the June release which are inclusive of VAT and will be closer to 'Retail Sales Inquiry' figures, however;

- the ABS 'retail' turnover figures includes data for National Health Service receipts and commissions whereas the 'Retail Sales Inquiry' do not
- Retail Sales Inquiry does not cover household spending on services bought from the retail sector as it is designed to only cover goods
- although both quote figures for a calendar year, the 'Retail Sales Inquiry' produce monthly output measures which include average weekly value and volume estimates. The value estimates reflect the average total turnover that businesses have collected over a standard reporting period, while the volume estimates are calculated by taking the value estimates and adjusting to remove the impact of price changes. ABS figures are based on annual responses from businesses covering a range of financial years

## 9 . Construction industries, section F

Turnover in the Construction sector increased by 4.4% (£8.2 billion) between 2012 and 2013, and purchases by 4.8% (£5.6 billion) over the same period. Together with changes in stocks and taxes, these have combined to increase aGVA by 3.3% (£2.4 billion) over the period. For further details on the components of aGVA, see Calculation of Gross Value Added Estimates in background note 9.

Although this is the third consecutive year of Construction aGVA growth following 2 years of decline, aGVA has yet to return to its 2008 level of £81.0 billion at the start of the recession.

All 3 divisions in the Construction sector contributed to the aGVA growth between 2012 and 2013, with the largest contribution from Civil engineering (Division 42) increasing by 8.3% (£1.0 billion) and Specialised construction activities (Division 43) increasing by 2.9% (£1.0 billion).

At the regional level, London (£14.0 billion), the South East (£12.0 billion), the East of England (£8.4 billion) and the North West (£7.2 billion) made the largest contributions to aGVA in the Construction sector in 2013 (see Figure 14).

**Figure 14: Construction, local level aGVA by NUTS 1 region**

**Source: Office for National Statistics**

Of the 12 regions, 8 saw increases in aGVA in the Construction sector between 2012 and 2013. The largest increases were in London and the South East (see Figure 15). In London the growth was dominated by increases in Construction of buildings (Division 41) whilst in the South East the growth was more evenly spread throughout the 3 Construction divisions.

## **London**

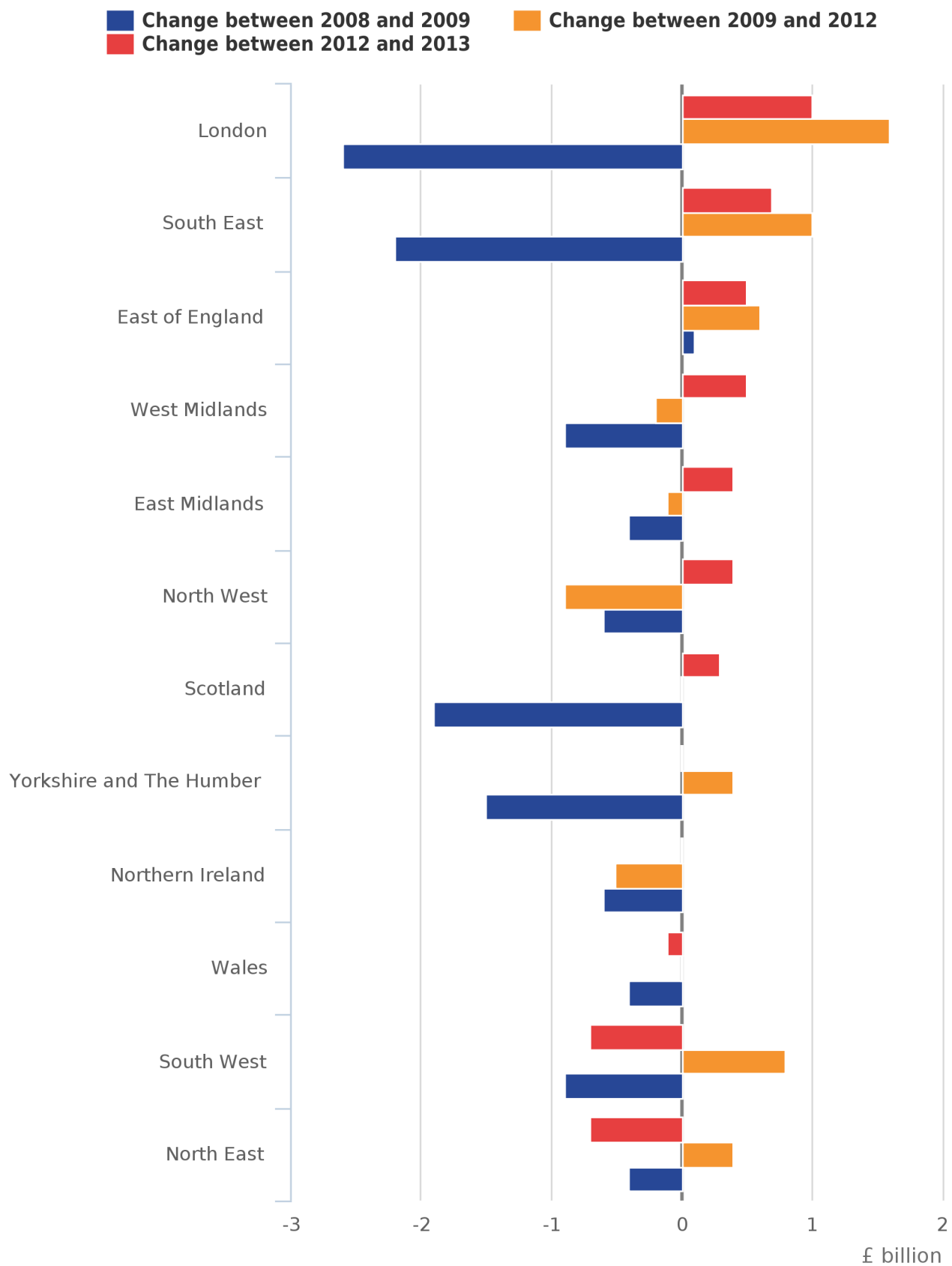
London contributed 7.8% (£1.0 billion) to the growth in aGVA between 2012 and 2013. The largest contribution to growth was from Construction of buildings (Division 41) which grew by 12.5% (£0.8 billion). This was the third consecutive year of growth for the industry and the second year where aGVA has been above the level seen at the start of the recession.

## **South East**

The South East contributed 6.3% (£0.7 billion) to the growth in aGVA between 2012 and 2013 with increases more evenly spread throughout the 3 Construction divisions. Of these 3 divisions it is only Specialised construction activities (Division 43) which has yet to return to a level above that reported in 2008, at the start of the recession.

**Figure 15: Construction, local level aGVA change by NUTS 1 region**

2008 to 2013



Source: Office for National Statistics

## Notes for construction industries, section F



1. Please note that the ABS figures for the Construction industries should not be compared directly with annual figures in the monthly '[Output in the Construction Industry](#)' release because:
- the ABS figures cover the United Kingdom, while the 'Output in the Construction Industry' covers Great Britain only
  - the two surveys measure different concepts of this industry
  - while both quote figures for a calendar year, the 'Output in the Construction Industry' are based on the aggregate of the responses to 12 monthly surveys, whereas ABS figures are based on annual responses covering a range of business years
  - the ABS figures will always be larger than those in the 'Output in the Construction Industry' because the latter excludes: Property developers (SIC 41.1); Payment on purchased services (architects, technical engineering, etc.); Payment to subcontractors, unless the subcontractors are not classified to construction and therefore are not part of the survey; Value of land; Value of materials sold (which are not part of a structure); and Fixtures, equipment and tools that are sold
  - the ABS figures include secondary activities related to businesses classified within the construction sector, while the 'Output in the Construction Industry' covers only the construction activity of the businesses

## 10 . Agriculture (part), forestry and fishing, section A

The ABS covers only hunting, forestry, fishing and the support activities to agriculture. Commentary is therefore limited because the sector's size in terms of economic output, as measured by the ABS, is small in comparison to the other sectors of the UK Non-Financial Business Economy. However, data for these parts of Section A can be found in the reference tables linked to this bulletin.

The other parts of agriculture, which include crop and animal production, are covered in the "[Agriculture in the United Kingdom](#)" release published annually by the Department for Environment, Food and Rural Affairs (DEFRA).

Note that the values quoted here for Section A are in **£ millions**.

The part of Section A covered at ABS local level showed a rise in turnover of 9.9% (£331 million) between 2012 and 2013 and a purchases fall of 4.2% (£96 million). This has led to an increase in aGVA of 30.7% (£375 million), with aGVA now £160 million above the level in 2008, at the start of the recession.

The region contributing most to this growth between 2012 and 2013 was Scotland with a £115 million increase in aGVA. This was more than double the next highest contributions from the East of England (£51 million) and the East Midlands (£50 million).

## 11 . Revisions to 2012 ABS regional data

Due to the need to balance timeliness of the data with the accuracy, in-line with the ABS Revisions Policy, ABS Regional results for 2012 were published in July 2014 with further quality assurance then leading to planned revisions to the data in this release.

These revisions usually arise from the receipt of additional data and the further validation and revision of existing data by businesses responding to the ABS, which may include restructures that can result in data being reallocated to a different industry.

When compared with the ABS Regional results published on 23 July 2014, the revised 2012 data in this release shows minimal revision for the UK Non-Financial Business Economy.

At the UK level, turnover and purchases generated by local activity of businesses for 2012 were revised upwards by 0.1% (£4.3 billion) and 0.4% (£8.6 billion) respectively. This resulted in aGVA being revised downwards by 0.2% (£1.6 billion).

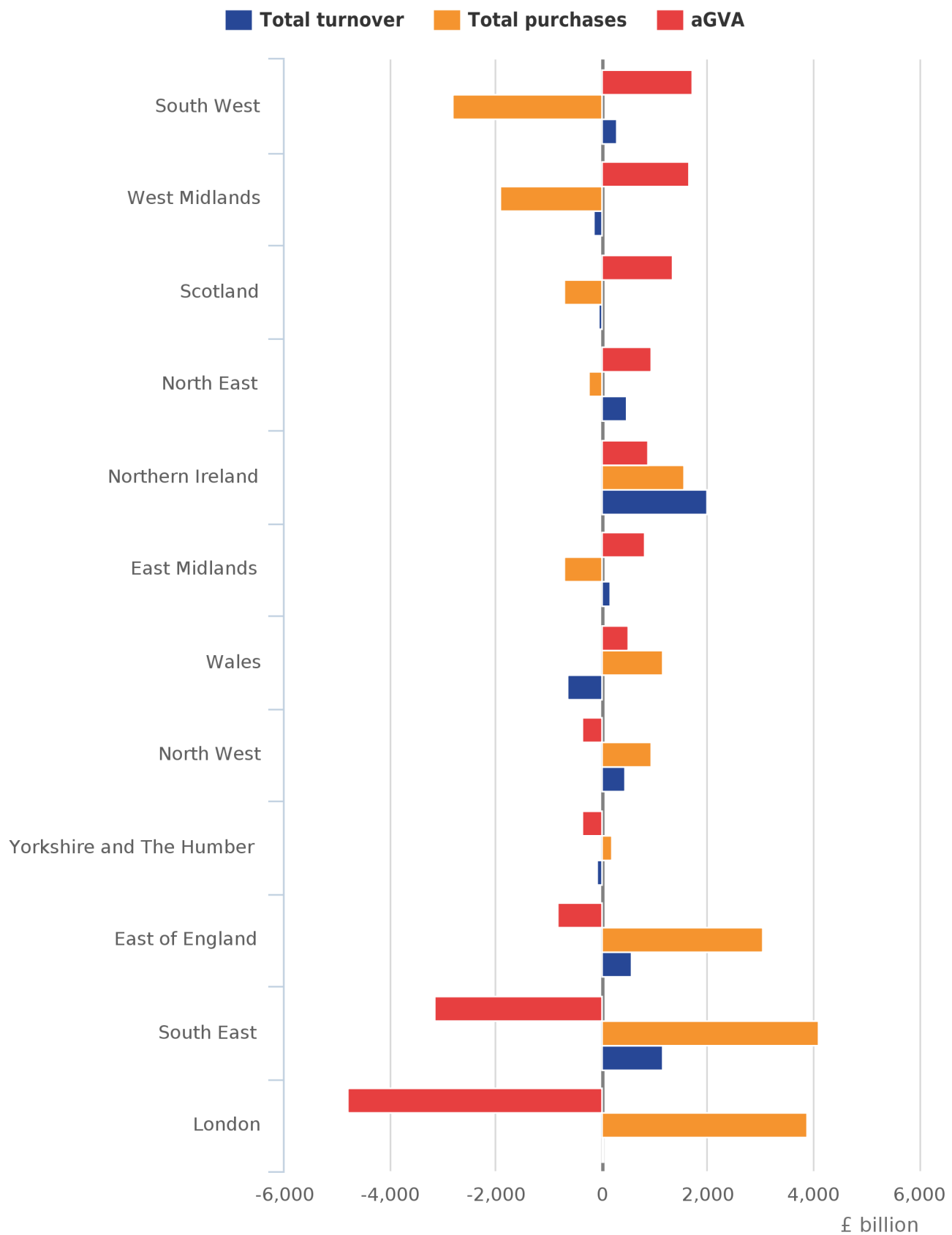
This year, the introduction of a new purchases apportionment process contributed £2.0 billion of the £8.6 billion upward revision to purchases. The impact on aGVA was an increased downward revision.

An impact analysis of this methodology change (at region and SIC division level) can be found in the data section of this publication.

Revisions to aGVA at the sub-national level are mixed, with 5 of the 12 regions showing downward revisions totalling £9.5 billion, particularly in London and the South East. This was offset by upward revisions totalling £7.9 billion in the 7 remaining regions (see Figure 16).

**Figure 16: UK Non-Financial Business Economy, local level aGVA revisions by NUTS 1 region**

2012



Source: Office for National Statistics

## 12. Background notes

### 1. What's new?

Change in Purchases apportionment methodology – Data on purchases for 2012 and 2013 has been produced using a new method for the apportionment from the reporting unit purchases to the local unit level. This new method was introduced to preserve the additivity of purchases components values to the total purchases. This has introduced a discontinuity in the purchases and aGVA data series with 2008 to 2011 still calculated using the original method. Advance notification of the change, the reason for it and the impact at regional level was included in the UK Non-Financial Business Economy, 2013 Revised Results on 11 June 2015. More detail of this change can be found in this [Information Paper](#) and the [ABS Technical Report \(1.68 Mb Pdf\)](#). A detailed region by industry [impact assessment \(129.5 Kb Excel sheet\)](#) is included in this release.

A map and chart showing the NUTS 2 sub-regional distribution and growth of aGVA across the UK.

A [searchable map \(841.8 Kb Excel sheet\)](#) (which shows the spread of aGVA across the UK in 2013) to aid identifying the geography of each of the 12 NUTS 1 regions and 37 NUTS 2 sub-regions in the UK.

A section on Manufacturing including regional contribution and growth charts.

The Interactive Map for the UK Non-Financial Business Economy by UK NUTS 1 Region contains a new Manufacturing option.

Chapter on revisions to the 2012 ABS regional data.

A short story on [Who owns businesses in the UK? \(2013\)](#), using the ABS contains regional breakdowns of the ownership counts for the first time.

### 2. Annual Business Survey – ABS

The Annual Business Survey (ABS), formerly the Annual Business Inquiry part 2 (ABI/2), produced by the Office for National Statistics (ONS), is the key resource for understanding the detailed structure, conduct and performance of businesses across the UK.

The ABS survey samples approximately 63,000 businesses in Great Britain from a population of over 1.8 million businesses in the sample frame on the Inter-Departmental Business Register (IDBR). The responding businesses provide information such as their turnover, purchases, employment costs, capital expenditure and stocks.

Approximately 11,000 businesses in Northern Ireland are sampled by the Department of Finance and Personnel Northern Ireland and contribute to the UK estimates.

In this National Statistics publication, a range of estimates are published including turnover, purchases, approximate Gross Value Added at basic prices (aGVA) and employment costs for industry sectors and the UK Non-Financial Business Economy and its regions. All data are reported at current prices (effect of price changes included).

Visit the [ABS webpages](#) for more in-depth information about the ABS, plus the latest news on survey changes and developments.

An [ABS Glossary of terms](#) is available to help interpret the technical descriptions and abbreviations used throughout this bulletin.

### 3. ABS quality information

A [Quality and Methodology Information \(QMI\)](#) report for the ABS can be found on our website. The aims of the QMI report are to provide users with a greater understanding of our statistics, their uses and the methods that are used to produce them.

The ABS is a sample survey. As with all estimates obtained from sample surveys, ABS estimates are subject to various sources of error. The total error in a survey estimate is the difference between the estimate derived from the data collected and the true (unknown) value for the population. The total error consists of 2 main elements; the sampling error and the non-sampling error. The ABS was designed to minimise both these errors. The standard error is the estimated value of the sampling error. The estimate

for a variable, plus and minus the standard error for the variable, gives a range in which the true unknown value for the population might lie. The closer the standard error is to 0, the more reliable the estimate.

The coefficient of variation is the standard error of a variable divided by the survey estimate, and it is used to compare the relative precision across surveys or variables. The closer the coefficient of variation is to 0, the more reliable the estimate. Standard errors and coefficients of variation for turnover, aGVA, purchases and employment costs are available in the quality measures table published with this release.

More detailed information on these and other quality and methodology issues is available in the [ABS Technical Report](#) published on the [ABS webpages](#).

### **Selective editing**

When ABS responses are received, checks are undertaken to ensure the information is correct. This is known as editing and validation. Selective editing was used to validate responses for the first time for the 2011 results using software called SELEKT. SELEKT is a generic selective editing tool which highlights responses which appear to be in error if they fall outside the range of what is expected and have a large influence on key estimates. Those responses with the highest score are prioritised for editing and validation. This increases the efficiency of the editing process by focusing on the responses with the highest impact and importance.

The introduction of selective editing should at least maintain, if not improve the quality of the ABS results as it should: minimise the bias introduced by processing (removing over-editing); remove non-value adding activities from the process; and focus resources to errors that impact on the results.

However, the full impact on quality is not yet known. This will continue to be monitored and any updates will be included with future ABS releases. For more information on SELEKT, see Chapter 5 of the [ABS Technical Report \(1.68 Mb Pdf\)](#).

## **4. Uses and users of ABS statistics**

ABS outputs may be used to answer questions such as:

- how much wealth has been created in a particular industry?
- has there been a shift in activity from one industrial sector to another, and which industry groups, classes, subclasses are driving the change?
- are any industries particularly dominant in specific regions or countries of the UK and are there structural changes over time?

- how productive is a particular industry, such as the chemicals sector, and what is its operating profitability?

There are a wide range of users that view, download and utilise the ABS data. Key users of the output include:

**National Accounts:** The statistics produced help to improve the overall quality of the UK National Accounts and the measurement of Gross Domestic Product (GDP). The ABS forms a major data input to the production of [Input-Output Annual Supply and Use Tables](#) used to set the annual level of UK GDP. The Supply and Use tables show the sales and purchases relationships between consumers and producers by industry (see chapter 2 of [UK National Accounts, Blue Book 2011 edition](#)). For the latest available comparison with National Accounts GVA see the figures for 2012 in the [Blue Book 2014 edition table 2.3](#).

**Indices of Services and Production:** Use ABS data to calculate the weights used to produce the indexes, and to calculate the deflation of turnover.

**Eurostat:** ABS is the main source of data supplied to Eurostat to meet the requirements of the European Structural Business Statistics (SBS) Regulation. This regulation ensures that key statistics on the structure of businesses are composed in a way which is comparable across Europe. Eurostat use SBS data to inform and monitor European Union policy.

**Scottish Government** and the **Welsh Government:** The financial information is also used by the Scottish Government and the Welsh Government in the compilation of regional and country specific Input-Output tables (For example Scottish Input-Output) and Indices of Production (For example Welsh Indices of Production). The resulting outputs are used to inform and monitor policy.

**Department for Business, Innovation & Skills (BIS):** Use ABS data to assess the structure and performance of UK industries.

**Local Authorities:** Data are used for economic research, planning purposes, lobbying and economic strategy development.

**Business consultants:** Use these data to understand trends in industry sectors and UK regions.

**Marketing experts:** Use these data to undertake demographic mapping and market segmentation.

Other local and national government departments and bodies, businesses, academics and the general public use these data for research, modelling or forecasting and to track industry trends.

More detailed information on the uses and users of ABS is available in the [ABS Technical Report \(1.61 Mb Pdf\)](#) published on the [ABS webpages](#).

## 5. Your views matter

We are interested in your views of our data and publication. Please take time to complete a [short survey](#) before 14 August 2015.

We are constantly aiming to improve this release and its associated commentary. We would welcome any feedback you might have, and would be particularly interested in knowing how you make use of these data to inform your work. Please contact us via email: [abs@ons.gsi.gov.uk](mailto:abs@ons.gsi.gov.uk) or telephone Jon Gough on +44 (0) 1633 456720.

The Changing Shape of UK Manufacturing, an event coordinated jointly with the Department for Business, Innovation and Skills (BIS), took place in October 2014. The event featured a range of talks from users, producers and suppliers of manufacturing statistics, not just from central government and the devolved administrations, but also local government, media, business representatives and researchers. To view the content of the day, please visit [Storify](#).

The next event planned for 8 October 2015 is on 'How e-commerce is changing the shape of business'.

## 6. International comparisons

International comparisons of structural business statistics are available from Eurostat (for the European Union), and the Organisation for Economic Co-operation and Development (OECD):

[Eurostat](#): analysis of Structural Business Statistics.

[OECD](#): follow the link to the structural analysis database, under the industry and services theme.

## 7. ABS revisions

ABS estimates are revised in line with the ABS Revisions Policy. The revisions policy is available in the [ABS Technical Report](#) to assist users with their understanding of the cycle and frequency of data revisions. Users of this release are strongly advised to read this policy before using the data for research or policy related purposes.

Planned revisions usually arise from either the receipt of additional data or the correction of errors to existing data by businesses responding to the ABS. Those of notable magnitude will be highlighted and explained.

Revisions to published ABS regional results for the previous reference year can be expected in the latest reference year's data release.

When compared with the ABS Regional results published on 23 July 2014, the revised 2012 data in this release shows minimal revision for the UK Non-Financial Business Economy.

At the UK level, turnover and purchases generated by local activity of businesses for 2012 were revised upwards by 0.1% (£4.3 billion) and 0.4% (£8.6 billion) respectively. This resulted in aGVA being revised downwards by 0.2% (£1.6 billion).

This year, the introduction of a [new purchases apportionment process](#) contributed £2.0 billion of the £8.6 billion upward revision to purchases. The impact on aGVA was an increased downward revision.

A region by industry [impact assessment \(129.5 Kb Excel sheet\)](#) of this methodology change (at region/SIC division level) can be found in the data section of this publication.

Revisions to data provide one indication of the reliability of key indicators. A table showing the size of revisions is published alongside the statistical bulletin released in June each year.

All other revisions will be regarded as unplanned and will be dealt with by non-standard releases. All revisions will be released in compliance with the same principles as other new information.

## 8. Response rates and compliance costs

The figures in this release are based on an annual survey of businesses. Revised 2013 results are based on a response rate of 76.2%. Response rates by different sectors can be found in the [Quality Measures \(857.5 Kb Excel sheet\)](#) accompanying the UK Non-Financial Business Economy, 2013 Revised Results, with a summary provided in Table 1.

**Table 1: UK Non-Financial Business Economy (Part) 1 - Response rates by sector**

2010 to 2013

		Percentage			
Standard Industrial Classification (Revised 2007) Sector	Description	2010 2	2011 3	2012 4	2013 5
A-S (Part) <sup>1</sup>	Agriculture, forestry and fishing, Production, Construction, Distribution and Non-Financial Service Industries	78.2	77.9	77.8	76.2
A (Part) <sup>1</sup>	Agriculture, forestry and fishing	76.3	76.4	80.2	77.6
B-E	Production Industries	78.7	77.7	78.7	78.3

F	Construction Industries	74.8	74.9	74.8	69.7
G	Distribution Industries	77.1	77.6	77.5	74.7
H-S (Part) <sup>1</sup>	Non-Financial Service Industries	79.5	79.0	78.4	77.9

Source: Office for National Statistics

Notes:

1. The ABS covers only the UK Non-Financial Business Economy which accounts for approximately two thirds of the UK economy in terms of Gross Value Added. The industries covered are: - Agriculture (support activities SIC 01.6 and hunting and trapping SIC 01.7 only), forestry and fishing - Section A - Production industries - Sections B-E - Construction industries - Section F - Distribution industries - Section G - Non-Financial Service industries - Sections H, I, J, L, M, N, P (private provision only), Q (private provision only in SIC 86.1 and 86.9), R and S

2. Response rate at June 2012

3. Response rate at June 2013

4. Response rate at June 2014

5. Response rate at June 2015

For an estimate of the cost to GB businesses for providing their data to the ABS (known as compliance cost) see appendix B of the [ONS Compliance Plan \(215.7 Kb Pdf\)](#).

## 9. General information

These points should be noted when using ABS results:

### ABS coverage

The results in this Statistical Bulletin represent approximately two-thirds of the UK economy in terms of Gross Value Added. In previous releases the UK Business Economy has been referred to as the Whole Economy.

The industries covered are:

- agriculture (support activities SIC 01.6 and hunting & trapping 01.7 only), forestry and fishing - Section A
- production - Sections B to E
- construction - Section F
- distribution - Section G

\* non-financial services - Sections H, I, J, L, M, N, P (private provision only), Q (private provision only in SIC 86.1 and 86.9), R and S.

The main industries excluded are:

- agriculture (SIC 01.1, 01.2, 01.3, 01.4 and 01.5 in Section A)
- financial and insurance (Section K)
- public administration and defence (Section O)
- education (public provision in Section P)



- health (SIC 86.2, public provision in SIC 86.1 and 86.9 in Section Q).

Data for a small part of the Financial and insurance sector (Insurance and reinsurance only (SIC 65.1 and 65.2)) has been collected by the ABS since 2008 and was previously included in the results. This was the only part of Financial and Insurance Activities (Section K) covered by the survey. As with any new time-series, estimates for these industries have remained experimental while ongoing quality assurance has taken place. This quality assurance has led the figures to be revised substantially in recent years with a resulting break in the series between 2009 and 2010. Following discussions with key users, we decided to remove this experimental series from ABS releases for the reference year 2012 onwards due to the continued volatility of the data. The estimates for this series have been removed from releases since November 2013 to allow for a more detailed quality assessment to be undertaken. The removal of these series does not affect other industries published as part of this release and has no impact on any other financial statistics that we publish.

A review of the questionnaire for Insurance and Reinsurance businesses will be undertaken, alongside continued validation of returns to the survey, with the aim of reintroducing them to the ABS publications when the quality of the data has improved. Updates on progress will be available on the [ABS News Pages](#).

Although the estimated total for the UK Business Economy in the regional ABS results is constrained to equal that in the corresponding national ABS results, the published totals for the UK Non-Financial Business Economy will not necessarily be the same following the removal of data for the Insurance & reinsurance industries (Groups 65.1 and 65.2) from the regional results after apportionment has taken place (see note on Regional apportionment below). For example an enterprise contributing wholly to Insurance & reinsurance at a national level (and therefore removed from the national totals) may have local sites in other industries which will still contribute to the regional totals. Likewise, an enterprise contributing wholly to the Distribution sector (and therefore included in the national totals) may have a local site in Insurance & reinsurance whose contribution will be removed from the regional totals. The difference between the national and regional UK totals can be seen in Table 2.

### **Standard industrial classification**

ABS results are classified according to the [Standard Industrial Classification of Economic Activities \(SIC\) system](#). The UK is required by European legislation to have a system of classification consistent with the European Union's industrial classification system. The system underwent a major review in 2007. ABS data have been collected and published on the SIC 2007 system since the reference year 2008. Other revisions to the system occurred in 1958, 1968, 1980, 1992, 1997, and 2003.

UK SIC 2007 is divided into 21 sections, each denoted by a single letter from A to U. Each section can be uniquely defined by the next breakdown, the divisions (denoted by 2 digits). The divisions are then broken down into groups (3 digits), then into classes (4 digits) and, in several cases, again into subclasses (5 digits). So for example we have:

section C manufacturing (comprising divisions 10 to 33) division 13 manufacture of textiles group 13.9 manufacture of other textiles class 13.93 manufacture of carpets and rugs subclass 13.93/1 manufacture of woven or tufted carpets and rugs

The full structure of SIC 2007 consists of 21 sections, 88 divisions, 272 groups, 615 classes and 191 subclasses in SIC 2007.

### **Structural changes to businesses**

The business economy is constantly evolving as businesses merge, are taken over, or simply change the main focus of their business. These changes can result in the industry classification of a business changing over time. For example, if a business undertakes both manufacturing and wholesale activities, but most of its employment is within manufacturing, it will be classified to manufacturing. If the employment were to change substantially so that the majority worked in wholesale then the industry classification would change and the whole of the businesses turnover, for example, would move from manufacturing to wholesale. In industries where movements are common, or where large businesses are involved, these changes can themselves sometimes cause large changes in ABS estimates. This should be taken into consideration when changes over time are being assessed.

### **Regional apportionment**

The business unit to which ABS questionnaires are sent is called the reporting unit. For ABS, the reporting unit represents an enterprise, which may consist of one or more sub-units (called local units). For example, an enterprise might be the head office for a group of shops. An enterprise may therefore have local units at different locations, and may carry out more than one type of economic activity.

To produce the regional estimates, the reporting unit data returned by each business is divided amongst its local units, largely in proportion to the employment in each local unit. Local unit employment is obtained from the Business Register Employment Survey (BRES), which collects data from local units. Results are then aggregated for each UK NUTS 1 region and industry, using the industry classification of the local units.

Each local unit is assigned a single SIC code, which corresponds to the unit's principal activity. Where more than one type of economic activity is carried out by a local unit or enterprise, its principal activity is the activity in which most of the workforce is employed.

The resulting industry breakdowns at the UK level in the national release will not necessarily match those in the corresponding regional release. For example, an enterprise contributing wholly to Production at the national level may have local unit contributing to other sectors (for example Wholesale) at the regional level.

**Table 2: UK Non-Financial Business Economy (Sections A-S), Comparison of Regional and National aGVA by Sector, 2013**

	£ billion					
	Non-Financial Service Industries	Production Industries	Distribution Industries	Construction Industries	Agriculture, forestry and fishing	UK Non-Financial Business Economy
Regional approach	554.1	213.1	158.4	73.9	1.6	1,001.1
National approach	550.4	219.0	151.3	78.6	1.9	1,001.1

Source: Office for National Statistics

Changes to the regional weighting methodology were introduced in 2012 and have been used for all estimates from 2009 onwards. Analysis of the impact of the new weighting method showed that differences in the figures were generally small, particularly at high levels of aggregation. Further information on the methodology of the approach and analysis of the impact can be found in Weighting in the Regional System.

As BRES is not carried out at the same time as ABS, differences in the timing of responses from ABS and BRES can lead to some reduction in the quality of the apportionment method.

### Calculation of Gross Value Added Estimates

Approximate Gross Value Added at basic prices (aGVA) is derived from the responses of businesses to questions asked on the ABS. It is a measure of the income generated by businesses, industries or sectors, less the cost of goods and services used to create the income. The main component of income is turnover, while purchases is the main component of the consumed goods and services. Stock levels which may rise or fall can also have an impact on aGVA, as can the values of subsidies received or duty paid. Businesses' labour costs (for example, wages and salaries) are paid from the value of aGVA, leaving a gross operating surplus (or loss) which is a good approximation for profit (or loss). The cost of capital investment, financial charges and dividends to shareholders are met from the gross operating surplus.

aGVA is calculated in basic prices. That is, the valuation of output includes net taxes (taxes minus subsidies) on production, such as business rates, but not net taxes on individual products that result from the production process, such as Value Added Tax (VAT).

Estimates of turnover and purchases from the ABS are used to produce estimates of output and intermediate consumption (and therefore GVA) in the National Accounts. However, many other sources (including surveys and administrative sources) are also used to produce National Accounts estimates. These include sources of data on taxation and inventories (which are preferred to the ABS as they are used consistently throughout all parts of the National Accounts), as well as own-use output and non-market output (as these activities are only partially covered by the ABS).

There are differences between the two measures of gross value added in terms of coverage. For example, GVA covers the whole of the UK economy while aGVA covers the UK Non-Financial Business Economy, a subset of the whole economy that excludes large parts of agriculture, all of public administration and defence, publicly provided healthcare and education, and the financial sector.

There are conceptual differences between the 2 measures of gross value added. For example, some production activities such as illegal smuggling of goods must be included in the National Accounts but are outside the scope of the ABS.

There are 3 approaches to measuring GDP; 1 based on production activity, 1 based on expenditure, and 1 based on income. In theory, the 3 approaches should produce the same estimate of GDP. However, in practice this is never the case because the three approaches make use of different data sources, each with their own definitions and limitations. The three different estimates are therefore reconciled in a process known as Supply and Use balancing. The balancing process is informed by a variety of data sources, and results in adjustments to estimates of output and intermediate consumption. For many industries, the balancing adjustment is the greatest source of difference between estimates from the ABS and the National Accounts.

More detailed information of the differences between aGVA and GVA is available in the [ABS Technical Report](#) published on the [ABS webpages](#). There is also a more detailed article '[A Comparison between ABS and National Accounts Measures of Value Added \(462.3 Kb Pdf\)](#)' recently published by the ABS.

### **Department of Finance and Personnel Northern Ireland (DFPNI)**

DFPNI publish their own estimates of activity in Northern Ireland which differ from those in this release due to variations in methodology. DFPNI estimates should be used where only Northern Ireland is of interest. Where comparisons with other UK regions and countries are required, estimates in this release should be used.

## **10. Disclosure control and symbols used**

It is sometimes necessary to suppress figures for certain items in order to avoid disclosing information about an individual business. Further information on why data are suppressed is available in the [ONS Disclosure Control Policy \(337 Kb Word document\)](#) or in the [ABS Technical Report \(1.68 Mb Pdf\)](#).

The following symbols are used throughout the ABS releases:

\* information suppressed to avoid disclosure .. not available - nil or less than half the level of rounding

## **11. National Statistics**

The United Kingdom Statistics Authority reviewed ABS outputs in their report "[Assessment of compliance with the Code of Practice for Official Statistics: Statistics from the Annual Business Survey – Assessment Report 180](#)".

Following the ABS response to the report the UK Statistics Authority have since designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs,
- are well explained and readily accessible,
- re produced according to sound methods, and
- are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

## **12. Social media**

Follow ONS on [Twitter](#) Like ONS on [Facebook](#) to receive our updates in your newsfeed and to post comments on our page. Watch our videos on [YouTube](#)[[41]].

## **13. Government Statistical Service (GSS) business statistics**

To find out about other official business statistics, and choose the right data for your needs, use the [GSS Business Statistics Interactive User Guide](#). By selecting your topics of interest, the tool will pinpoint publications that should be of interest to you, and provide you with links to more detailed information and the relevant statistical releases. It also offers guidance on which statistics are appropriate for different uses.

#### 14. Discussing business statistics online

There is a [Business and Trade Statistics](#) community on the [StatsUserNet](#) website. StatsUserNet is the Royal Statistical Society's interactive site for users of official statistics. The community objectives are to promote dialogue and share information between users and producers of official business and trade statistics about the structure, content and performance of businesses within the UK. Anyone can join the discussions by registering via either of the links.

#### 15. ONS theme pages

Statistics are available on our web pages categorised by themes, subject areas, topics and sub-topics. If you are interested in statistics on a particular issue, navigating through the categories will identify all the statistics available that relate to the selected theme, topic or sub-topic.

For Business themed short stories and articles please visit the [Business and Energy](#) theme page.

#### 16. Special events

We have published commentary, analysis and policy on "[Special Events](#)" which may affect statistical outputs. For full details visit the Special Events page on our website.

#### 17. Release policy

ABS UK national results at the industry class level (4 digit Standard Industrial Classification 2007) are available free of charge via the "Data in this release" button at the top of this publication, or from the [ABS webpages](#) on our website. The published variables include turnover, purchases, aGVA and employment costs.

Additional standard extracts containing more detail are available on request. Bespoke analyses are also available but there will be a charge for these. For more information about either of these services please email [abs@ons.gsi.gov.uk](mailto:abs@ons.gsi.gov.uk), or telephone +44 (0)1633 456592 for standard extracts, or +44 (0)1633 456606 for bespoke special analyses

Any bespoke analysis carried out for ABS customers will be available free of charge on the [Published ad hoc data and analysis: Business and Energy](#) web pages.

18. Details of the policy governing the release of new data are available by visiting [www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html](http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html) or from the Media Relations Office email: [media.relations@ons.gsi.gov.uk](mailto:media.relations@ons.gsi.gov.uk)

These National Statistics are produced to high professional standards and released according to the arrangements approved by the UK Statistics Authority.