Compendium

UK National Accounts, The Blue Book: 2017

The Blue Book is the main annual publication of national accounts statistics including national and sector accounts, industrial analyses and environmental accounts.

Contact:
Emma Howley or Sarah Nightingale
blue.book.coordination@ons.gsi.gov.uk
+44 (0)1633 455190

Release date:
31 October 2017

Next release:
31 July 2018

Chapters in this compendium

Compendium

An introduction to the UK national accounts

Chapter summary and general overview of the national and sector accounts.

Contact:
Rob Kent-Smith
gdp@ons.gsi.gov.uk
+44 (0)1633 651618

Release date:
31 October 2017

Next release:
31 July 2018

Table of contents

1 . What is the Blue Book?

The Blue Book was first published in August 1952 and presents a full set of economic accounts (national accounts) for the UK. These accounts are compiled by Office for National Statistics (ONS). They record and describe economic activity in the UK and, as such, are used to support the formulation and monitoring of economic and social policies.

Chapter 1

Chapter 1 of the Blue Book provides a summary of the UK National Accounts, including explanations and tables covering the main national and domestic aggregates, for example:

- gross domestic product (GDP) at current market prices and chained volume measures
- GDP deflator
- gross value added (GVA) at basic prices
- gross national income (GNI)
- gross national disposable income (GNDI)
- population estimates
- employment estimates
- GDP per head
- the UK summary accounts (the goods and services account, production accounts, distribution and use of income accounts, and accumulation accounts)

Chapter 1 also includes details of revisions to data since the Blue Book 2016.

Chapter 2

Chapter 2 includes:

- input-output supply and use tables
- analyses of GVA at current market prices and chained volume measures
- capital formation
- workforce jobs by industry

Chapters 3 to 7

Chapters 3, 4, 5, 6 and 7 provide:

- a description of the institutional sectors
- the sequence of the accounts and balance sheets
- an explanation of the statistical adjustment items needed to reconcile the accounts
- the fullest available set of accounts providing transactions by sectors and appropriate sub-sectors of the economy (including the rest of the world)

Chapters 8 to 11

Chapters 8, 9, 10 and 11 cover additional analysis and include:

- supplementary tables for gross fixed capital formation (GFCF), national balance sheet and public sector
- statistics for European Union purposes

Chapter 12

Chapter 12 covers:

- UK Environmental Accounts

Chapter 13

Chapter 13 covers:

- flow of funds

2 . Overview of the UK National Accounts and Sector Accounts

In the UK, priority is given to the production of a single gross domestic product (GDP) estimate using income, production and expenditure data. Further analysis is available on the following:

- income analysis at current prices
- expenditure analysis at both current prices and chained volume measures
- value added analysis compiled on a quarterly basis in chained volume measures only

Income, capital and financial accounts are produced for non-financial corporations, financial corporations, general government, households and non-profit institutions serving households.

The accounts are fully integrated, but with a statistical discrepancy (known as the statistical adjustment), shown for each sector account. This reflects the difference between the sector net borrowing or lending from the capital account and the identified borrowing or lending in the financial accounts, which should theoretically be equal.

Financial transactions and balance sheets are produced for the rest of the world sector in respect of its dealings with the UK.

An introduction to sector accounts

The sector accounts summarise the transactions of particular groups of institutions within the economy, showing how the income from production is distributed and redistributed and how savings are used to add wealth through investment in physical or financial assets.

Institutional sectors

The accounting framework identifies two kinds of institutions:

- consuming units (mainly households)
- production units (mainly corporations, non-profit institutions or government)

Units can own goods and assets, incur liabilities and engage in economic activities and transactions with other units. All units are classified into one of five sectors:

- non-financial corporations
- financial corporations
- general government
- households and non-profit institutions serving households (NPISH)
- rest of the world

Types of transactions

There are three main types of transactions.

Transactions in products

Transactions in products are related to goods and services. They include output, intermediate and final consumption, gross capital formation, and exports and imports.

Distributive transactions

Distributive transactions transfer income or wealth between units of the economy. They include property income, taxes and subsidies, social contributions and benefits, and other current or capital transfers.

Financial transactions

Financial transactions differ from distributive transactions in that they relate to transactions in financial claims, whereas distributive transactions are unrequited. The main categories in the classification of financial instruments are:

- monetary gold and special drawing rights
- currency and deposits
- debt securities
- loans
- equity and investment fund shares or units
- insurance, pension and standardised guarantee schemes
- financial derivatives and employee stock options
- other accounts receivable or payable

3 . Summary of changes

The main gross domestic product (GDP) - impacting improvements implemented in the Blue Book 2017 are as follows.

Actual rental and imputed rental

The new approach for private actual rentals brings consistency with the methods for imputed rentals introduced in Blue Book 2016. It also removes the discontinuity in the current price data at 2010, which was due to an interim solution in place since Blue Book 2014. As part of the process of bringing the sources and methods for private actual rentals into line with imputed rentals, we identified and implemented some further improvements to imputed rentals.

Improvements to the recording of GFCF

Following a quality review of software in gross fixed capital formation (GFCF), analysis has shown that elements in the estimates of purchased software – a component of intellectual property products (IPP) – have been double-counted from 2001; this change removes the double-counted element.

The IPP asset will also be impacted as a result of updated data for entertainment, literary or artistic originals.

The recording of transfer costs has also been improved through the use of updated House Price Index (HPI) data and the inclusion of transfer costs (fees and taxes) associated with the buying and selling of players in the sports industries.

Other GDP-impacting improvements include:

- impacts from separating estimates for the households and non-profit institutions serving households sector
- unfunded public sector pensions methodology review
- improvement to illegal activities
- revised estimates of exhaustiveness and concealed income adjustment
- revised estimates of Value Added Tax fraud
- BBC data update
- public sector finances alignment

This Blue Book also includes a range of improvements to the sector and financial accounts. The largest have been separating the households and non-profit institutions serving households (NPISH) accounts; improving the data sources, especially for dividend income of the self-employed; introducing the new securities dealers survey data and methods; and improving the treatment of corporate bonds, shares and dividends methods and data sources.

We have also included the "Revaluation account" and the "Other changes in volume account". This has led to the renumbering of some tables to ensure that the sequence of accounts set out in the European System of Accounts 2010 can be maintained. This has resulted in the financial balance sheets in Chapters 1 and 3 changing their last digit from previously published .9 to .11.

The new table numbering system for Chapters 3, 4, 5, 6 and 7 is as follows.

.9 - Other changes in volume of assets account

.10 - Revaluations account

.11 - Financial balance sheets

All other tables remain unchanged.

For more detailed information surrounding these changes please see Impact of method changes to the national accounts and sector accounts: Quarter 1 1997 to Quarter 2 2017

A series of articles have been published describing the improvements and their impact in detail.

4 . The basic accounting framework

The accounting framework provides a systematic and detailed description of the UK economy, including sector accounts and the input-output framework.

All elements required to compile aggregate measures, such as gross domestic product (GDP), gross national income (GNI), saving and the current external balance (the balance of payments) are included.

The economic accounts provide the framework for a system of volume and price indices, to allow chained volume measures of aggregates such as GDP to be produced. In this system, value added, from the production approach, is measured at basic prices (including other taxes less subsidies on production but not on products) rather than at factor cost (which excludes all taxes less subsidies on production).

The whole economy is subdivided into institutional sectors with current price accounts running in sequence from the production account through to the balance sheet.

The accounts for the whole UK economy and its counterpart, the rest of the world, follow a similar structure to the UK sectors, although several of the rest of the world accounts are collapsed into a single account as they can never be complete when viewed from a UK perspective.

5 . Table numbering system

The table numbering system is designed to show relationships between the UK, its sectors and the rest of the world. For accounts drawn directly from the European System of Accounts 2010: ESA 2010, a three-part numbering system is used; the first two digits denote the sector and the third digit denotes the ESA account. Not all sectors can have all types of account, so the numbering is not necessarily consecutive within each sector's chapter.

The rest of the world's identified components of accounts 2 to 6 are given in a single account numbered 2. UK whole economy accounts consistent with ESA 2010 are given in section 1.6 as a time series and in section 1.7 in a detailed matrix identifying all sectors, the rest of the world and the UK total.

The ESA 2010 code for each series is shown in the left-hand column, using the following prefixes:

- S for the classification of institutional sectors
- P for transactions in products
- D for distributive transactions
- F for transactions in financial assets and liabilities
- K for other changes in assets
- B for balancing items and net worth

Within the financial balance sheets, the following prefixes are used:

- AF for financial assets and liabilities
- AN for non-financial assets and liabilities

6 . What is an account? What is its purpose?

An account records and displays all flows and stocks for a given aspect of economic life. The sum of resources is equal to the sum of uses, with a balancing item to ensure this equality.

The system of economic accounts allows the build-up of accounts for different areas of the economy, highlighting – for example – production, income and financial transactions.

Accounts may be elaborated and set out for different institutional units or sectors (groups of units).

Usually a balancing item has to be introduced between the total resources and total uses of these units or sectors. When summed across the whole economy these balancing items constitute significant aggregates.

Table I.1 provides the structure of the accounts and shows how gross domestic product (GDP) estimates are derived as the balancing items.

7 . The integrated economic accounts

The integrated economic accounts of the UK provide an overall view of the economy. Table I.1 presents a summary view of the accounts, balancing items and main aggregates and shows how they are expressed. The accounts are grouped into four main categories:

- goods and services accounts
- current accounts
- accumulation accounts
- balance sheets

8 . The goods and services account

The goods and services account is a transactions account, balancing total resources, from outputs and imports, against the uses of these resources in consumption, investment, inventories and exports. No balancing item is required as the resources are simply balanced with the uses.

9 . Current accounts: the production and distribution of income accounts

The production account

This account displays transactions involved in the generation of income by the activity of producing goods and services. The balancing item is value added (B.1). For the nation's accounts, the balancing items (the sum of value added for all industries) are, after the addition of taxes less subsidies on products, gross domestic product (GDP) at market prices or net domestic product when measured net of capital consumption. The production accounts are also shown for each industrial sector.

The distribution and use of income accounts

This account shows the distribution of current income (value added) carried forward from the production account and has saving as its balancing item (B.8). Saving is the difference between income (disposable income) and expenditure (or final consumption).

The distribution of income compromises of four sub-accounts:

- primary distribution of income account
- secondary distribution of income
- redistribution of income in kind
- use of income account

The primary distribution of income account

Primary incomes are accrued to institutional units because of their involvement in production or their ownership of productive assets. They include the following:

- property income (from lending or renting assets)
- taxes on production and imports

The following are excluded:

- taxes on income or wealth
- social contributions or benefits
- other current transfers

The primary distribution of income shows the way these are distributed among institutional units and sectors. The primary distribution account is divided into two sub-accounts – the generation and the allocation of primary incomes.

The secondary distribution of income account

This account describes how the balance of primary income for each institutional sector is allocated by redistribution; through transfers such as taxes on income, wealth and so on, social contributions and benefits, and other current transfers. It excludes social transfers in kind.

The balancing item of this account is gross disposable income (B.6g), which reflects current transactions and explicitly excludes capital transfers, real holding gains and losses, and the consequences of events such as natural disasters.

The redistribution of income in kind

This account shows how gross disposable income of households and non-profit institutions serving households, and government are transformed by the receipt and payment of transfers in kind. The balancing item for this account is adjusted gross disposable income (B.7g).

The use of income account

The use of income account shows how disposable income is divided between final consumption expenditure and saving. In addition, the use of income account includes, for households and for pensions, an adjustment item (D.8 – adjustment for the change in pension entitlements), which relates to the way that transactions between households and pension funds are recorded.

The accumulation accounts

These accounts cover all changes in assets, liabilities and net worth. The accounts are structured into two groups.

The first group covers transactions that would correspond to all changes in assets, liabilities and net worth that result from transactions and are known as the capital account and the financial account. They are distinguished to show the balancing item net lending or borrowing.

The second group relates to all changes in assets, liabilities and net worth owing to other factors, for example, the discovery or re-evaluation of mineral reserves, or the reclassification of a body from one sector to another.

The capital account

The capital account is presented in two parts.

The first part shows that saving (B.8g), the balance between national disposable income and final consumption expenditure from the production and distribution and use of income accounts, is reduced or increased by the balance of capital transfers (D.9) to provide an amount available for financing investment (in both non-financial and financial assets).

The second part shows total investment in non-financial assets. This is the sum of gross fixed capital formation (P. 51g), changes in inventories (P.52), acquisitions less disposals of valuables (P.53) and acquisitions less disposals of non-financial non-produced assets (NP). The balance on the capital account is known as net lending or borrowing. Conceptually, net lending or borrowing for all the domestic sectors represents net lending or borrowing to the rest of the world sector.

If actual investment is lower than the amount available for investment, the balance will be positive – representing net lending. Similarly, when the balance is negative, borrowing is represented. Where the capital accounts relate to the individual institutional sectors, the net lending or borrowing of a particular sector represents the amounts available for lending or borrowing to other sectors. The value of net lending or net borrowing is the same irrespective of whether the accounts are shown before or after deducting consumption of fixed capital (P.51c), provided a consistent approach is adopted throughout.

The financial account

This account shows how net lending and borrowing are achieved by transactions in financial instruments. The net acquisitions of financial assets are shown separately from the net incurrence of liabilities. The balancing item is net lending or borrowing.

In principle, net lending or borrowing should be identical for both the capital account and the financial account. In practice, however, because of errors and omissions this identity is very difficult to achieve for the sectors and the economy as a whole. The difference is known as a statistical adjustment.

The other changes in assets account

The other changes in assets account is concerned with the recording of changes in the values of assets and liabilities, and thus of the changes in net worth, between opening and closing balance sheets that result from flows that are not transactions, referred to as “other flows”.

This account is further subdivided into:

- other changes in the volume of assets account
- revaluation account

The other changes in the volume of assets account records the changes in assets, liabilities and net worth between opening and closing balance sheets that are due neither to transactions between institutional units, as recorded in the capital and financial accounts, nor to holding gains and losses as recorded in the revaluation account. Examples include reclassifications and write-offs. The balancing item for this account is other changes in volume (B.102).

The revaluation account records holding gains or losses accruing during the accounting period to the owners of financial and non-financial assets and liabilities. The balancing item for this account is nominal holding gains and losses (B.103).

The balance sheet

The second group of accumulation accounts complete the sequence of accounts. These include the balance sheets and a reconciliation of the changes that have brought about the change in net worth between the beginning and end of the accounting period.

The opening and closing balance sheets show how total holdings of assets by the UK or its sectors match total liabilities and net worth (the balancing item). Various types of assets and liabilities can be shown in detailed presentations of the balance sheets. Changes between the opening and closing balance sheets for each group of assets and liabilities result from transactions and other flows recorded in the accumulation accounts, or reclassifications and revaluations.

Net worth
equals
changes in assets
less
changes in liabilities.

The rest of the world account

This account covers the transactions between resident and non-resident institutional units and the related stocks of assets and liabilities. Written from the point of view of the rest of the world, its role is similar to an institutional sector.

10 . Satellite accounts

Satellite accounts cover areas or activities not included in the central framework because they either add additional detail to an already complex system or conflict with the conceptual framework. The UK Environmental Accounts are satellite accounts linking environmental and economic data to show the interactions between the economy and the environment.

See UK Environmental Accounts: 2017 for further information.

11 . The limits of the national economy: economic territory, residence and centre of economic interest

Economic territory and residence of economic interest

The economy of the UK is made up of institutional units that have a centre of economic interest in the UK economic territory. These units are known as resident units and it is their transactions that are recorded in the UK National Accounts.

UK economic territory

The UK economic territory includes:

- Great Britain and Northern Ireland (the geographic territory administered by the UK government within which persons, goods, services and capital move freely)
- any free zones, including bonded warehouses and factories under UK customs control
- the national airspace, UK territorial waters and the UK sector of the continental shelf The UK economic territory excludes Crown dependencies (Channel Islands and the Isle of Man).

ESA 2010 economic territory

Within the European System of Accounts 2010: ESA 2010, the definition of economic territory also includes:

- territorial enclaves in the rest of the world (embassies, military bases, scientific stations, information or immigration offices and aid agencies used by the British government with the formal political agreement of the governments in which these units are located)

But it excludes:

- any extra- territorial enclaves (that is, parts of the UK geographic territory like embassies and US military bases used by general government agencies of other countries, by the institutions of the European Union or by international organisations under treaties or by agreement)

Centre of economic interest

When an institutional unit engages and intends to continue engaging (normally for one year or more) in economic activities on a significant scale from a location (dwelling or place of production) within the UK economic territory, it is defined as having a centre of economic interest and is a resident of the UK.

If a unit conducts transactions on the economic territory of several countries, it has a centre of economic interest in each of them.

Ownership of land and structures in the UK is enough to qualify the owner to have a centre of interest in the UK.

Residency

Resident units are:

- households
- legal and social entities such as corporations and quasi- corporations, for example, branches of foreign investors
- non-profit institutions
- government
- so-called “notional residents”

Travellers, cross-border and seasonal workers, crews of ships and aircraft, and students studying overseas are all residents of their home countries and remain members of their households.

When an individual leaves the UK for one year or more (excluding students and patients receiving medical treatment), they cease being a member of a resident household and become a non-resident, even on home visits.

12 . Economic activity: what production is included?

Gross domestic product (GDP) is defined as the sum of all economic activity taking place in UK territory. In practice a “production boundary” is defined, inside which are all the economic activities taken to contribute to economic performance. To decide whether to include a particular activity within the production boundary, the following factors are considered:

- does the activity produce a useful output?
- is the product or activity marketable and does it have a market value?
- if the product does not have a meaningful market value, can one be assigned (imputed)?
- would exclusion (or inclusion) of the product of the activity make comparisons between countries over time more meaningful?

The following are recorded within the European System of Accounts 2010: ESA 2010 production boundary:

- production of individual and collective services by government
- own-account production of housing services by owner-occupiers
- production of goods for own final consumption, for example, agricultural products
- own-account construction, including that by households
- production of services by paid domestic staff
- breeding of fish in fish farms
- production forbidden by law; as long as all units involved in the transaction enter into it voluntarily
- production from which the revenues are not declared in full to the fiscal authorities, for example, clandestine production of textiles

The following fall outside the production boundary:

- domestic and personal services produced and consumed within the same household, for example, cleaning, the preparation of meals or the care of sick or elderly people
- volunteer services that do not lead to the production of goods, for example, caretaking and cleaning without payment
- natural breeding of fish in open seas

(European System of Accounts ESA 2010 (2013) paragraphs 1.29 and 1.30)

13 . Prices used to value the products of economic activity

In the UK, a number of different prices may be used to value inputs, outputs and purchases. The prices are different depending on the perception of the bodies engaged in the transaction – that is, the producer and user of a product will usually perceive the value of the product differently, with the result that the output prices received by producers can be distinguished from the prices paid by producers.

Basic prices

Basic prices are the preferred method of valuing output in the accounts.

They are the amount received by the producer for a unit of goods or services
minus any taxes payable
plus
any subsidy receivable as a consequence of production or sale.

The only taxes included in the price will be taxes on the output process – for example, business rates and Vehicle Excise Duty, which are not specifically levied on the production of a unit of output. Basic prices exclude any transport charges invoiced separately by the producer. When a valuation at basic prices is not feasible, producers' prices may be used.

Producers’ prices

Producers’ prices are basic prices
plus
those taxes paid per unit of output (other than taxes deductible by the purchaser such as VAT, invoiced for output sold)
minus
any subsidies received per unit of output.

Purchasers’ or market prices

Purchasers’ or market prices are the prices paid by the purchaser and include transport costs, trade margins and taxes (unless the taxes are deductible by the purchaser).

Purchasers’ or market prices are producers’ prices
plus
any non-deductible VAT or similar tax payable by the purchaser
plus
transport costs paid separately by the purchaser (not included in the producers’ price).

They are also referred to as “market prices”.

The rest of the world: national and domestic

Domestic product (or income) includes production (or primary incomes generated and distributed) resulting from all activities taking place “at home” or in the UK domestic territory.

This will include production by any foreign-owned company in the UK, but exclude any income earned by UK residents from production taking place outside the domestic territory.

GDP
equals
the sum of primary incomes distributed by resident producer prices.

The definition of GNI (gross national income) is gross domestic product (GDP) plus income received from other countries (notably interest and dividends), less similar payments made to other countries.

GDP
plus
net property income
equals
GNI.

This can be introduced by considering the primary incomes distributed by the resident producer units. Primary incomes, generated in the production activity of resident producer units, are distributed mostly to other residents’ institutional units.

For example, when a resident producer unit is owned by a foreign company, some of the primary incomes generated by the producer unit are likely to be paid abroad. Similarly, some primary incomes generated in the rest of the world may go to resident units. It is therefore necessary to exclude that part of resident producers’ primary income paid abroad, but include the primary incomes generated abroad but paid to resident units.

GDP (or income)
less
primary incomes payable to non-resident units
plus
primary incomes receivable from the rest of the world
equals
GNI.

GNI at market prices
equals
the sum of gross primary incomes receivable by resident institutional units or sectors.

National income includes income earned by residents of the national territory, remitted (or deemed to be remitted in the case of direct investment) to the national territory, no matter where the income is earned.

Real GDP (chained volume measures)
plus
trading gain
equals
real gross domestic income (RGDI).

Real gross domestic income (RGDI)
plus
real primary incomes receivable from abroad
less
real primary incomes payable abroad
equals
real gross national income (real GNI).

Real GNI (chained volume measures)
plus
real current transfers from abroad
less
real current transfers abroad
equals
real gross national disposable income (GNDI).

Receivables and transfers of primary incomes, and transfers to and from abroad, are deflated using the gross domestic final expenditure deflator.

14 . Gross domestic product: the concept of net and gross

The term gross means that, when measuring domestic production, capital consumption or depreciation has not been allowed for.

Capital goods are different from the materials and fuels used up in the production process because they are not used up in the period of account but are instrumental in allowing that process to take place. However, over time, capital goods wear out or become obsolete and in this sense GDP does not give a true picture of value added in the economy. When calculating value added as the difference between output and costs, we should also show that part of the capital goods are used up during the production process (the depreciation of capital assets).

Net concepts are net of this capital depreciation, for example:

GDP
minus
consumption of fixed capital
equals
net domestic product.

15 . Symbols used

In general, the following symbols are used:

.. not available

 nil or less than £500,000

£ billion denotes £1,000 million

Compendium

National Accounts at a glance

Summary of recent trends within the UK economy, including the path of the economy during recent downturns, changes within the household sector and net lending /borrowing by UK sector.

Contact:
Rob Kent-Smith
gdp@ons.gsi.gov.uk
+44 (0)1633 451618

Release date:
31 October 2017

Next release:
31 July 2018

Table of contents

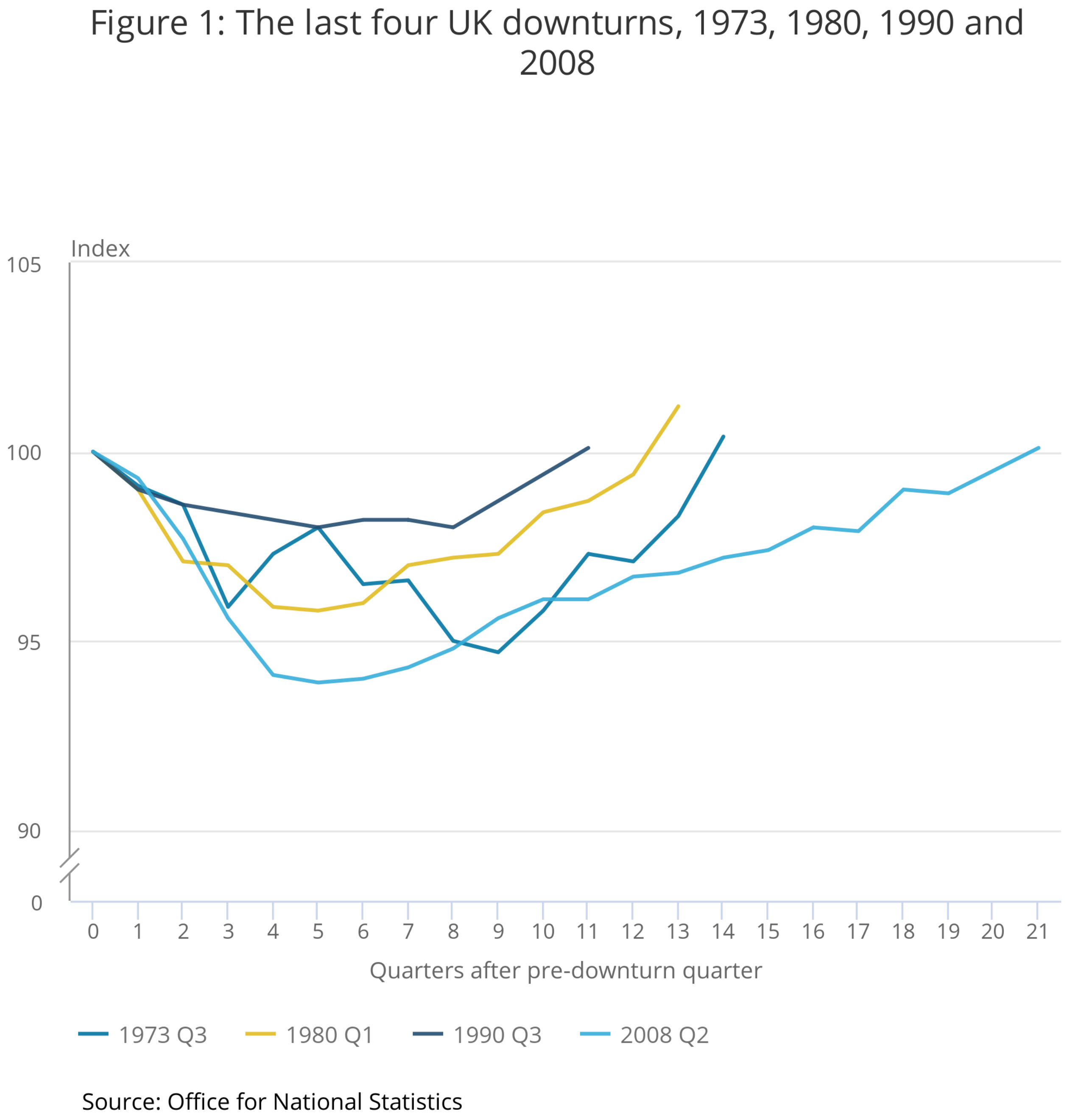
1 . Introduction

This section of the UK National Accounts, The Blue Book: 2017 edition provides an examination of recent trends and important movements for a range of information contained in a number of the subsequent Blue Book chapters. All UK data referred to in this section are consistent with the Blue Book 2017.

2 . GDP and the headline economy

Chapter 1 provides information on the headline economy, including the latest estimates of UK gross domestic product (GDP), which records how much output was produced in the UK in any given year. In September 2007, Northern Rock became the first UK bank in 150 years to suffer a bank run. To mark the tenth anniversary of the financial crisis, Figure 1 shows how the path of the economy compares with the previous three UK downturns. The financial crisis led to a peak-to-trough fall in output of 6.1%, while it took over five years for the economy to reach its pre-downturn levels. Compared with previous downturns, the effects of the financial crisis were larger in scale.

Figure 1: The last four UK downturns, 1973, 1980, 1990 and 2008



Source: Office for National Statistics

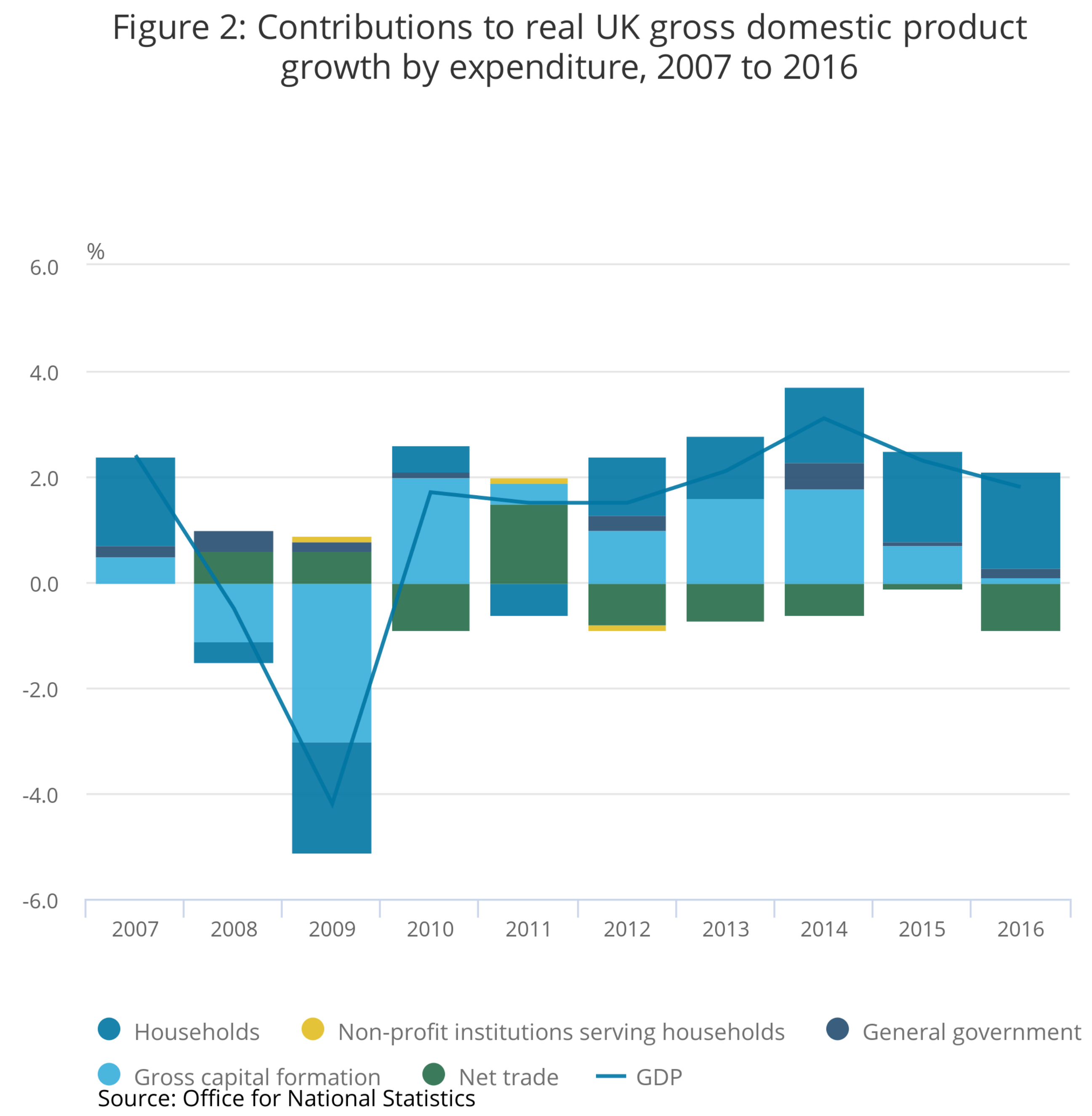
Notes:

1. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept), and Q4 refers to Quarter 4 (Oct to Dec).

2. Indexed to the pre-downturn peak

Figure 2 shows how UK GDP has evolved over the last 10 years. GDP fell by 0.5% in 2008, then by a further 4.2% in 2009. This was driven by an initial fall in gross capital formation, as gross fixed capital formation fell by 5.1% in 2008 and by 13.8% in 2009[1]. The financial crisis led to a tightening of credit conditions and increased economic uncertainty, which impacted upon the ability and willingness of firms to invest in fixed capital. Household consumption also contracted in this period, falling by 0.6% in 2008 and by 3.3% in 2009. The deterioration in labour market conditions and the outlook for household finances led to a process of household deleveraging, in which households reduced their liabilities relative to income, by paying down debt or cutting down on new borrowing. This led to consumers cutting back on spending.

Figure 2: Contributions to real UK gross domestic product growth by expenditure, 2007 to 2016



Source: Office for National Statistics

Notes:

1. Components may not sum to total gross domestic product due to rounding and loss of additivity in data prior to open period. The statistical discrepancy in 2016 is also not displayed.

The economy showed initial signs of a pickup in activity in 2010, when GDP increased by 1.7%. Figure 2 shows that the UK economy has steadily increased in the subsequent years, which in recent years has been driven by growth in consumption and investment, as the factors that weighed on the outlook in the downturn started to unwind. Despite the sterling depreciation associated with the financial crisis, net trade provided little contribution to UK GDP growth in the following years, which to some extent reflects the impact on global demand in this period.

The latest estimates show that GDP grew by 1.8% in 2016, driven primarily by household consumption, which increased by 2.9%. Gross fixed capital formation was more subdued, picking up by 1.3% in 2016. Exports grew by only 1.1%, which was more than offset by the 4.3% increase in imports, as net trade detracted from GDP growth in 2016.

Notes for GDP and the headline economy

1. Gross fixed capital formation (GFCF) is a net investment concept. It refers to the net increase in physical assets in a given period, recording the total value of the acquisitions of fixed assets, less its disposals. It records the net capital expenditure by both the public and private sectors, such as spending on plant and machinery, transport equipment, software, new dwellings and other buildings, and major improvements to existing buildings and structures. GFCF is recorded under gross capital formation, which also records changes in inventories and the acquisitions less disposals of valuables.

3 . Households

The Blue Book allows for an examination of the flow-stock relationship in the national accounts. The non-financial account records the flows in disposable income and how this is allocated by households between consumption and saving. The extent to which savings exceed investment is reflected in the net lending or borrowing position of each domestic sector in the UK and the rest of the world. Changes in the lending or borrowing positions are reflected in the acquisition of financial assets and liabilities by each sector, which is recorded in the financial account.

These financial flows feed into the stock position of financial assets and liabilities that are held by each sector. The change in wealth not only reflects the accumulation of new assets and liabilities, but also the revaluation of existing ones and other changes in volume, as set out in the following equation:

$\text{Stock}_t - \text{Stock}_{t-1} = \text{Flow}_t + \text{Revaluation Changes}_t + \text{Other Changes in Volume Account}_t$

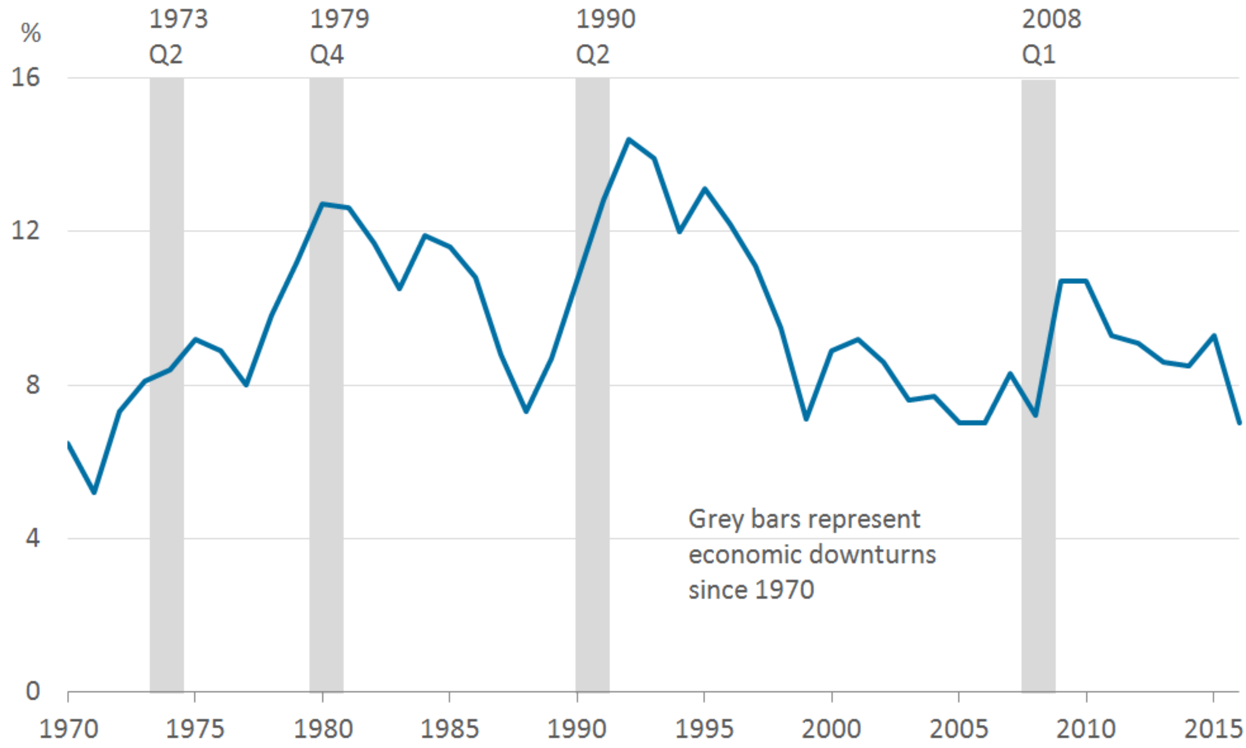
For the first time, information on the revaluation changes and other changes in volumes is published in Blue Book 2017, which allows for a full reconciliation of the flow and stock positions of assets and liabilities.

In the national accounts, the economy is grouped into a number of institutional sectors, split by type of activity, ownership and control. This provides us with information on the UK’s economic performance and financial position. A comprehensive explanation of the headline sectors, income and capital accounts and the financial balance sheet can be found in the Blue Book. The households account has now been separated from the non-profit institutions serving households (NPISH) account. This section of the Blue Book focuses on recent trends in the household sector.

Households saving ratio

The households saving ratio is the proportion of total household disposable income that is saved [1]. Figure 3 shows how the saving ratio has evolved since 1970 and highlights how this ratio typically increases during an economic downturn. In each of the last four UK downturns, the saving ratio has risen, as households have undergone a process of deleveraging in response to the increased uncertainty around the economic outlook.

Figure 3: Households saving ratio, UK, 1970 to 2016



In the run-up to the financial crisis, the saving ratio had steadily declined, falling to 7.0%. As economic prospects quickly deteriorated, there was a fall in consumer confidence and households began to save a greater proportion of their income. Credit had been much more readily available to households up until 2007, but households were less able and willing to finance their spending by increasing their financial liabilities as credit conditions tightened during the financial crisis. As such, households became more reliant on saving more of their disposable household resources to finance their expenditure. The saving ratio rose sharply to 10.7% in 2009 and 2010.

In recent years, the households saving ratio has been on a downward trend as consumption growth has outstripped growth in disposable income, which has been relatively subdued. The households saving ratio fell to 7.0% in 2016.

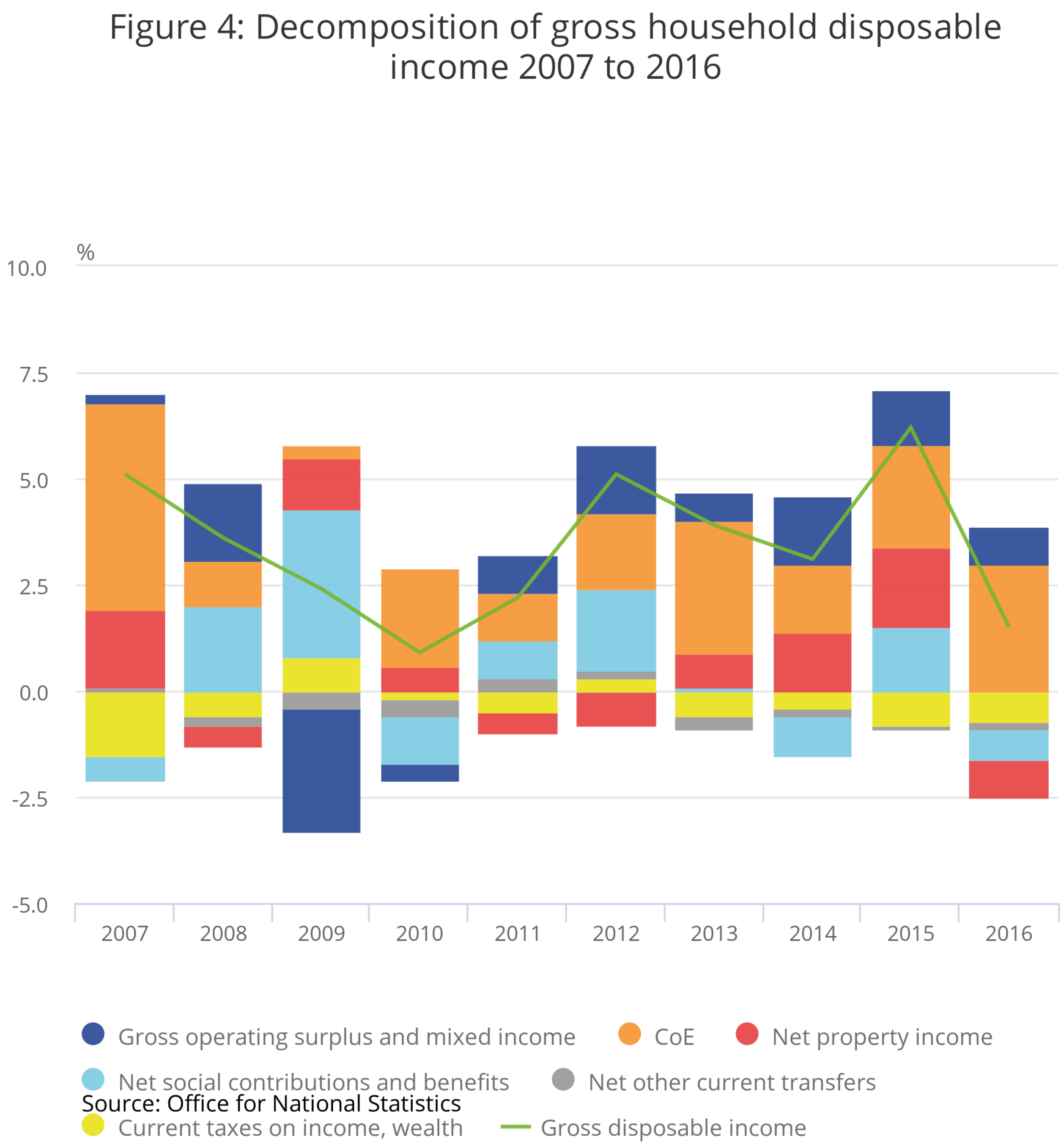
Gross Household Disposable Income

By definition, movements in the saving ratio can be attributed to changes in total available resources and consumption expenditure. Figure 4 shows growth in gross household disposable income (GHDI), decomposed into compensation of employees (CoE) – which includes wages and salaries as well as employers' social contributions – gross mixed income and gross operating surplus (GOS), net property income [2], net social contributions and benefits, net current transfers and taxes on income and wealth.

Figure 4 shows that during the economic downturn there was a slowing in the growth of CoE in 2008 and 2009, which increased by only 1.4% and 0.4% respectively. This was offset by strong growth in households' receipt of social benefits, which helped buffer the fall in GHDI growth. Meanwhile, mixed income and gross operating surplus (GOS) reduced GHDI growth.

As output increased from 2010, GHDI growth has also picked up. That said, it slowed to 1.5% in 2016, which was the weakest annual growth rate since 2010. This slowdown reflected an increase in taxes and falls in net property income, other current transfers, and social contributions and benefits. The largest negative contribution was net property income, driven primarily by a 16.4% fall in dividends from corporations. This is likely to reflect the forestalling of dividends, which were brought forward and paid in 2015, before an increase in taxes on dividends was introduced in April 2016.

Figure 4: Decomposition of gross household disposable income 2007 to 2016



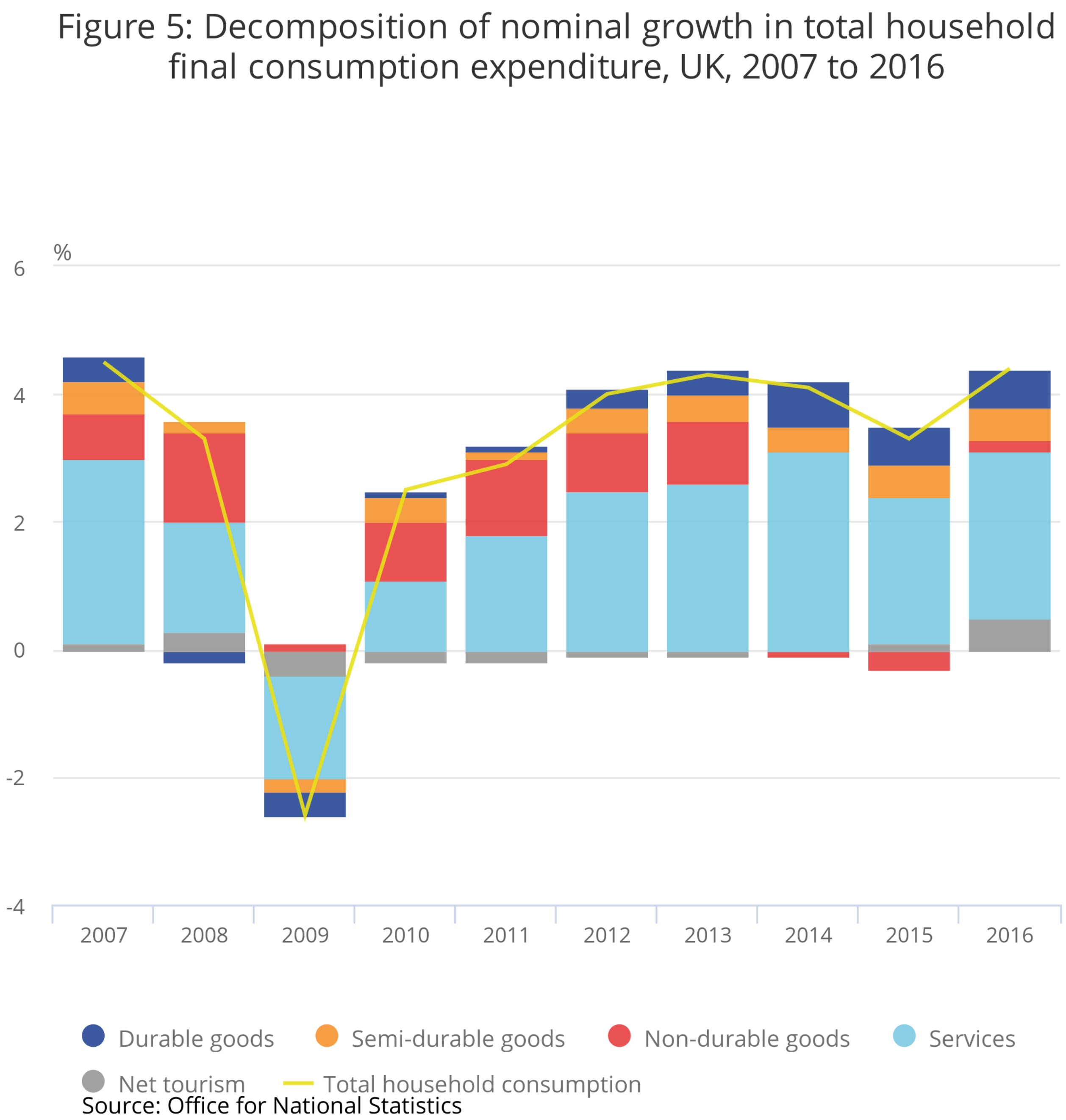
Source: Office for National Statistics

Household consumption

As growth in GHDI slowed, nominal household consumption fell and the households saving ratio rose. Figure 5 shows that household consumption fell by 2.6% in 2009. Within household consumption, goods may be classified as durable (such as cars or furniture), semi-durable (such as clothing) or non-durable (such as food). Durable goods are those that can be used repeatedly or continuously over a period of more than a year. These are typically considered to be more discretionary in nature, as consumers can more easily delay their purchase. It is therefore expected that expenditure on these items might slow during periods of lower income growth or heightened uncertainty about the future.

There was a marked slowdown in durable goods consumption during the 2008 to 2009 downturn. In 2007, durable goods consumption increased by 6.9% in volume terms, but this fell by 2.6% in 2009. This slowdown coincided with weaker growth in household incomes, with GHDI falling year-on-year from 5.1% in 2007 to 2.4% in 2009 and an increase in the saving ratio. Meanwhile, annual growth in household consumption of non-durable goods – which comprises just over half of total household goods expenditure – saw a less marked fall during the 2008 -2009 downturn and has been on a steady upward trend since 2009, growing at an average annual rate of 0.3%.

Figure 5: Decomposition of nominal growth in total household final consumption expenditure, UK, 2007 to 2016



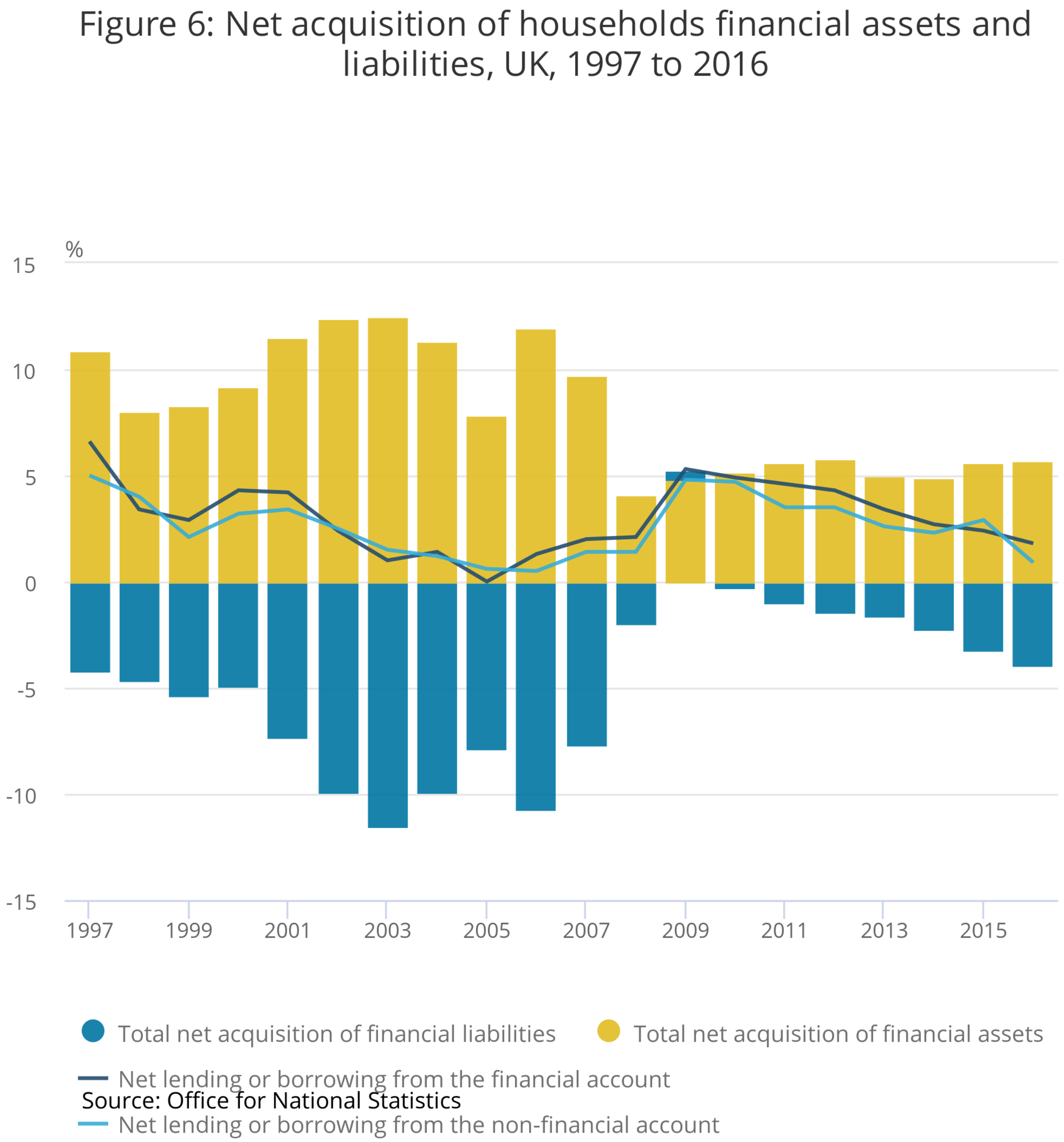
Source: Office for National Statistics

The slowdown in GHDI in 2016 coincided with a strong increase in consumption expenditure, with total household consumption growing by 4.4% – its strongest annual growth rate since 2007 (Figure 5) – and was reflected in the fall in the saving ratio.

Net acquisition of financial assets and liabilities by households

If savings exceed investment, that sector is able to finance the borrowing needs of others as there are net resources available. In contrast, if investment exceeds savings, that sector has a borrowing need in order to finance its expenditure. Figure 6 shows the net lending/borrowing position of households from the financial accounts over the period 1997 to 2016 and how this was financed. Positive bars indicate where households have acquired financial assets (for example, deposits and pension assets) while negative bars indicate the acquisition of financial liabilities (for example, loans). If the acquisition of assets exceeds the acquisition of liabilities, this indicates that households are lending to other sectors in the given period.

Figure 6: Net acquisition of households financial assets and liabilities, UK, 1997 to 2016



Source: Office for National Statistics

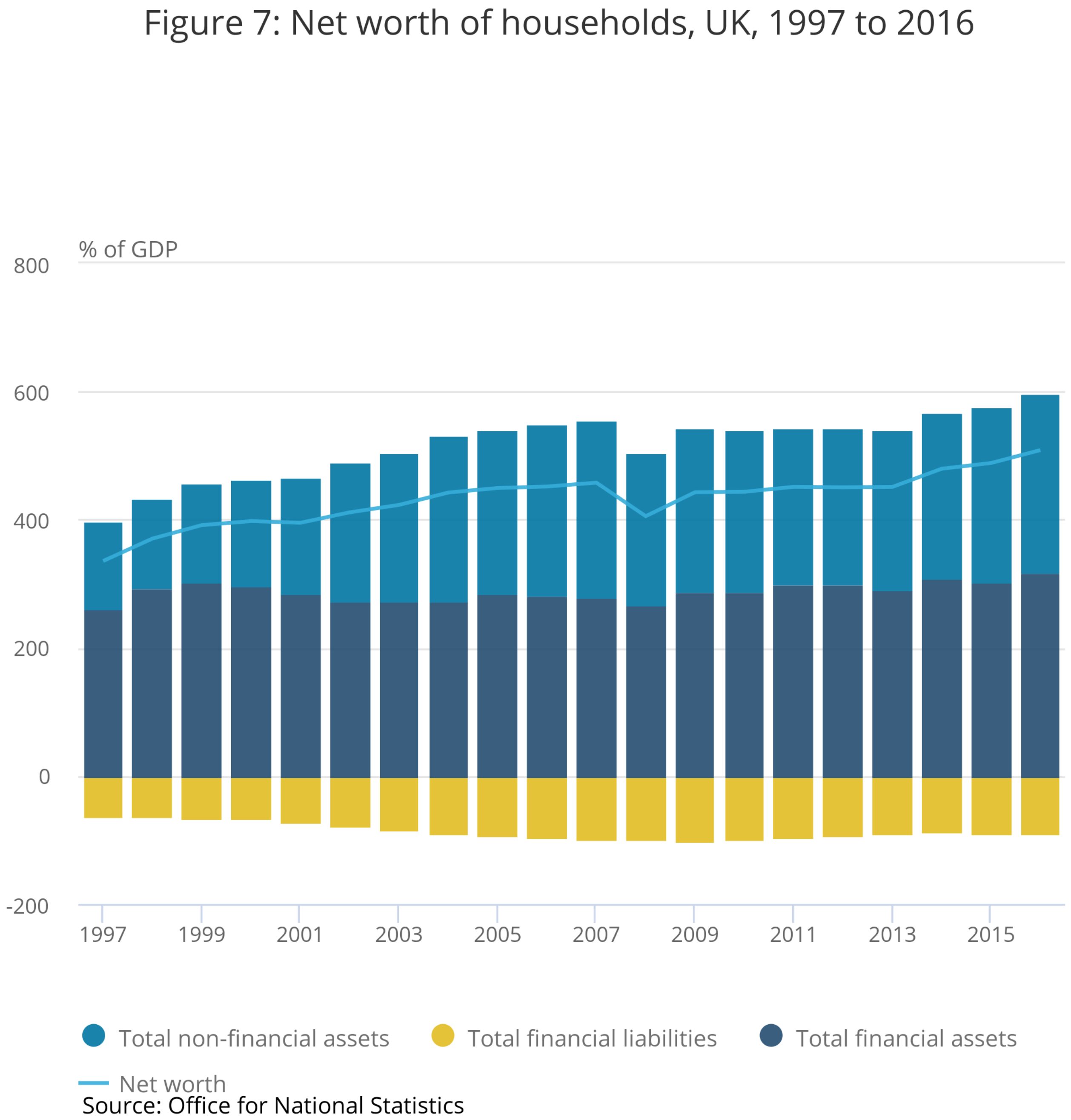
It can be seen that households have been a net lender for this period, reflected in households acquiring more financial assets than liabilities. In the years leading up to the financial crisis, households acquired on average net financial assets equivalent to around 10% of gross domestic product (GDP) per year, while acquiring net financial liabilities of around 8% of GDP. Following the financial crisis, households became more of a net lender, reducing their net acquisition of financial liabilities. This corresponds with the impacts of the downturn on the cost and availability of credit, consistent with the increase in the saving ratio. The acquisitions of long-term loans secured on dwellings, fell from a net increase of £103.9 billion in 2007 to a net increase of £33.9 billion in 2008, as households undertook a process of deleveraging. The net lending position of households increased to 5.3% of GDP in 2009.

Household balance sheet

The saving ratio records how much households save of the flow of total household resources in a given period, but it does not take into consideration the net stock of financial and non-financial wealth of households. The change in wealth in a given period is equal to the accumulation of new assets and the revaluation of existing ones. These revaluation changes can be significant when the gross size of the balance sheet is large, as is the case for households (Figure 7).

Figure 7 shows the net worth (wealth) of households as a share of GDP, decomposed into financial and non-financial assets as well as financial liabilities. It shows that the value of household assets has been relatively evenly split between financial and non-financial assets over the past 10 years, with both types of assets following similar trends over time. While both financial and non-financial assets dipped in 2008 during the crisis, the fall in household net worth was driven largely by a £0.5 trillion fall in non-financial assets – predominantly in the value of land. For the first time, Blue Book 2017 is publishing a dwellings estimate that excludes the value of the land underneath the structure, with a separate estimate for the value of the land. These new estimates show that while the value of dwellings has grown steadily over the past 20 years, it has not kept pace with growth in the value of land. Land value increased from £0.7 trillion to £3.9 trillion between 1996 and 2016 (or by 479%), while the value of dwellings grew by less than half the rate at 203% (increasing from £0.5 to £1.5 trillion over the same period).

Figure 7: Net worth of households, UK, 1997 to 2016

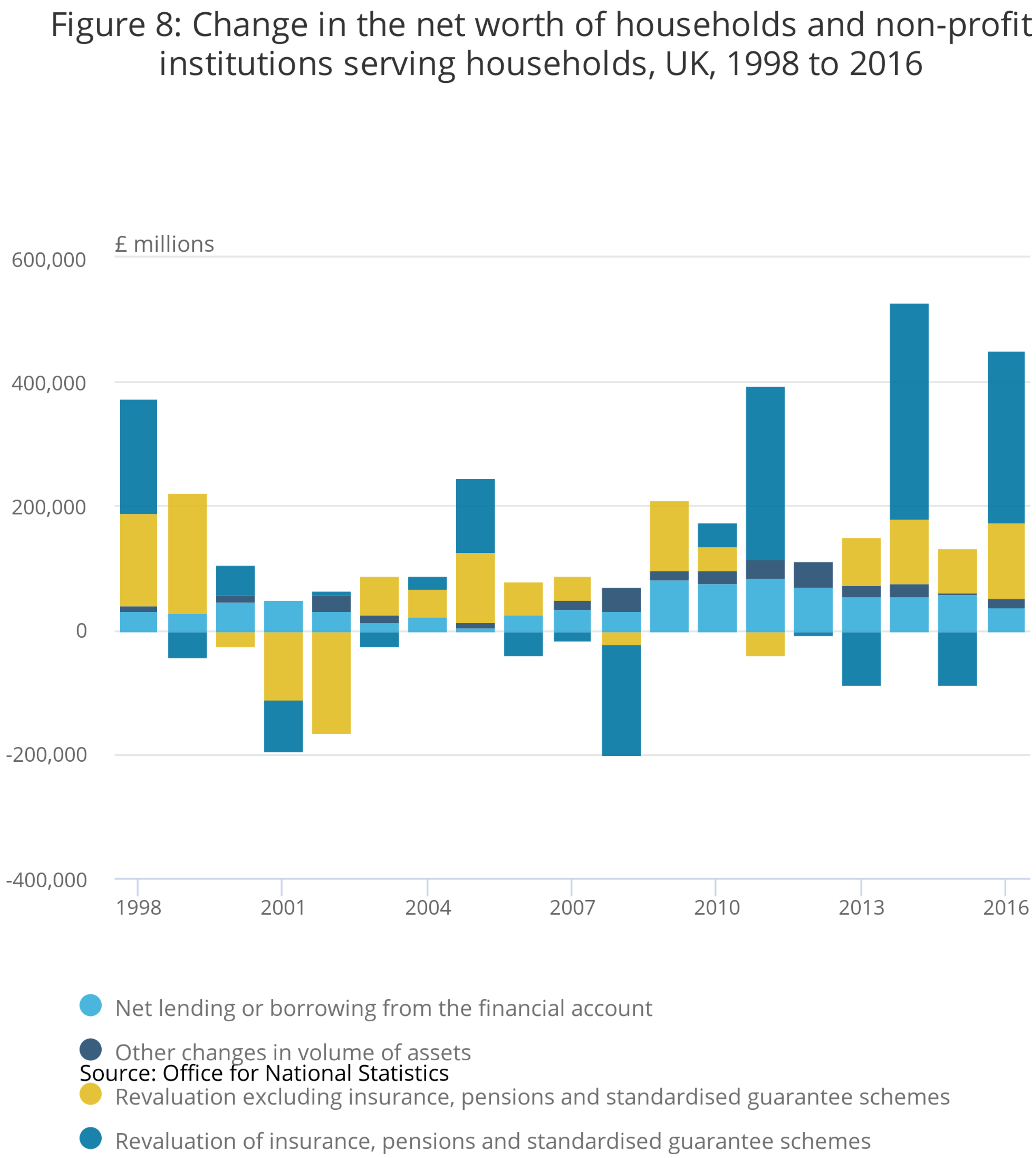


Source: Office for National Statistics

For the first time, Blue Book 2017 includes information on these revaluations and other changes in volume of assets. These record changes in the value of assets and liabilities, but where there has not been a change in the underlying volume of these stocks. Holding gains and losses are recorded in the former, which may arise because of exchange rate movements or equity price movements.

Figure 8 shows the change in the net stock position of households and non-profit institutions serving households (NPISH), disaggregated into financial flows (net lending/borrowing for the period), other changes to volume of assets and revaluation changes. It shows that while revaluation changes can be particularly large and volatile, much of this volatility can be attributable to revaluations to pensions and insurance, which primarily reflect changes in the discount rate affecting valuations of future flows, rather than equity price or exchange rate movements. In 2016, of the £450 billion increase in the net wealth of households and NPISH 88% was due to revaluation effects.

Figure 8: Change in the net worth of households and non-profit institutions serving households, UK, 1998 to 2016



Source: Office for National Statistics

Notes for: Households

1. Total household disposable income is the sum of gross household disposable income and an adjustment for the change in pension entitlements.

2. Income received from financial investments, such as interest on savings or dividends from shares.

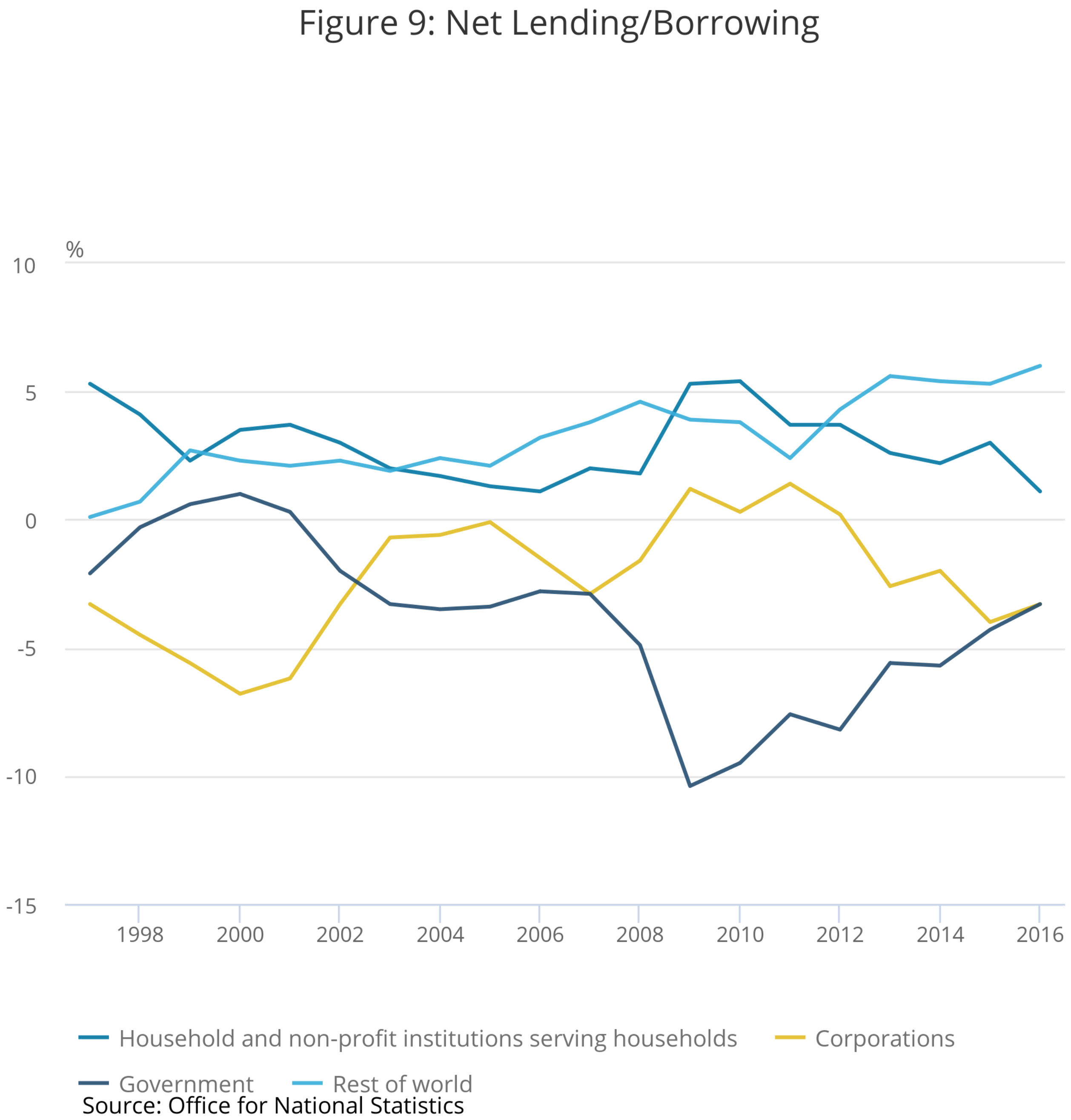
4 . Net lending/Borrowing by sector

The income and expenditure of each sector implies a net lending or borrowing position for households, corporations, government and the rest of the world. These flows must sum to zero by definition – for each pound that is borrowed by one sector, there must be a pound that is lent by another.

Figure 9 shows the net lending/borrowing position for each sector in the UK and from the rest of the world. This shows that the net borrowing positions of the corporate and government are offset by net lending from households and the rest of the world. In recent years, the rest of the world has increasingly become a net lender to the UK as the current account deficit has grown to 5.9% of gross domestic product (GDP) in 2016. This has been driven by a fall in net investment income, so the UK has increasingly acquired financial liabilities to finance its borrowing from the rest of the world.

In 2016, households and non-profit institutions serving households (NPISH) were a net lender of 1.1% of GDP. Following the financial crisis, the government budget deficit widened to 10.4% of GDP in 2009. This has narrowed in the intervening period in line with government policy and was 3.3% of GDP in 2016. Following the financial crisis, there was a pickup in capital investment by corporations, which has moved from being a net lender to a net borrower. In 2016, its net borrowing position was 3.3% of GDP.

Figure 9: Net Lending/Borrowing



Source: Office for National Statistics

Compendium

Explanation of industrial analyses

Analysis of the 10 broad industrial groups' contributions to gross value added, compensation of employees and workforce jobs, and summary supply and use tables.

Contact:
James Scruton or Rob Doody
ios.enquiries@ons.gsi.gov.uk,
robert.doody@ons.gsi.gov.uk
+44 (0)1633 456724, +44 (0)
1633 455803

Release date:
31 October 2017

Next release:
31 July 2018

Table of contents

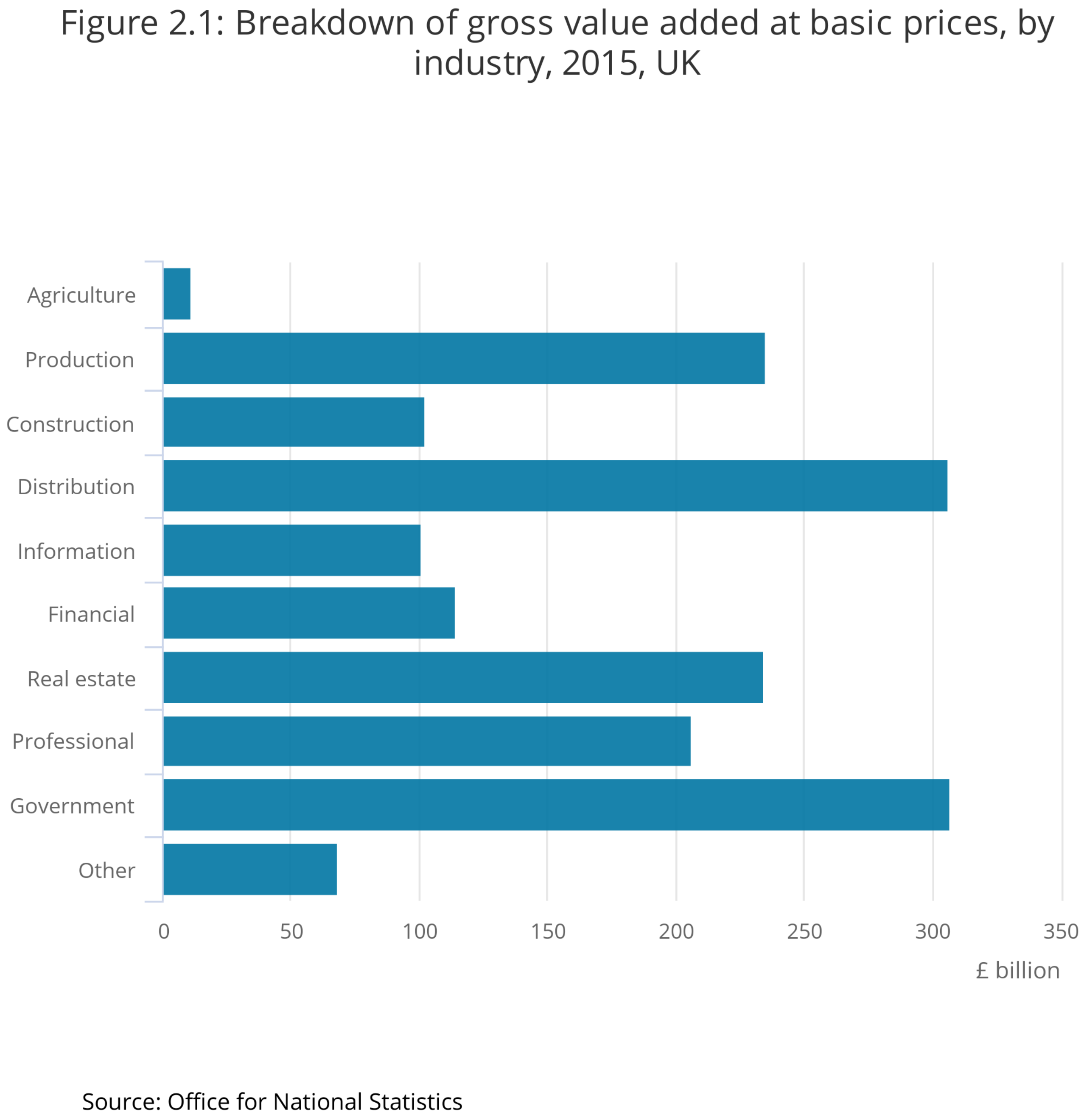
1 . The industrial analysis

Analysis of the 10 broad industrial groups shows that in 2015, the “government, health and education” and “distribution, transport, hotel and restaurant" industries provided the largest contributions to gross value added at current basic prices. These industries contributed 18.2% each to the total gross value added of £1,685 billion; with values of £306.7 billion and £306.1 billion respectively.

Of the remainder:

- production industries contributed 14%
- real estate industries contributed 13.9%

Figure 2.1: Breakdown of gross value added at basic prices, by industry, 2015, UK

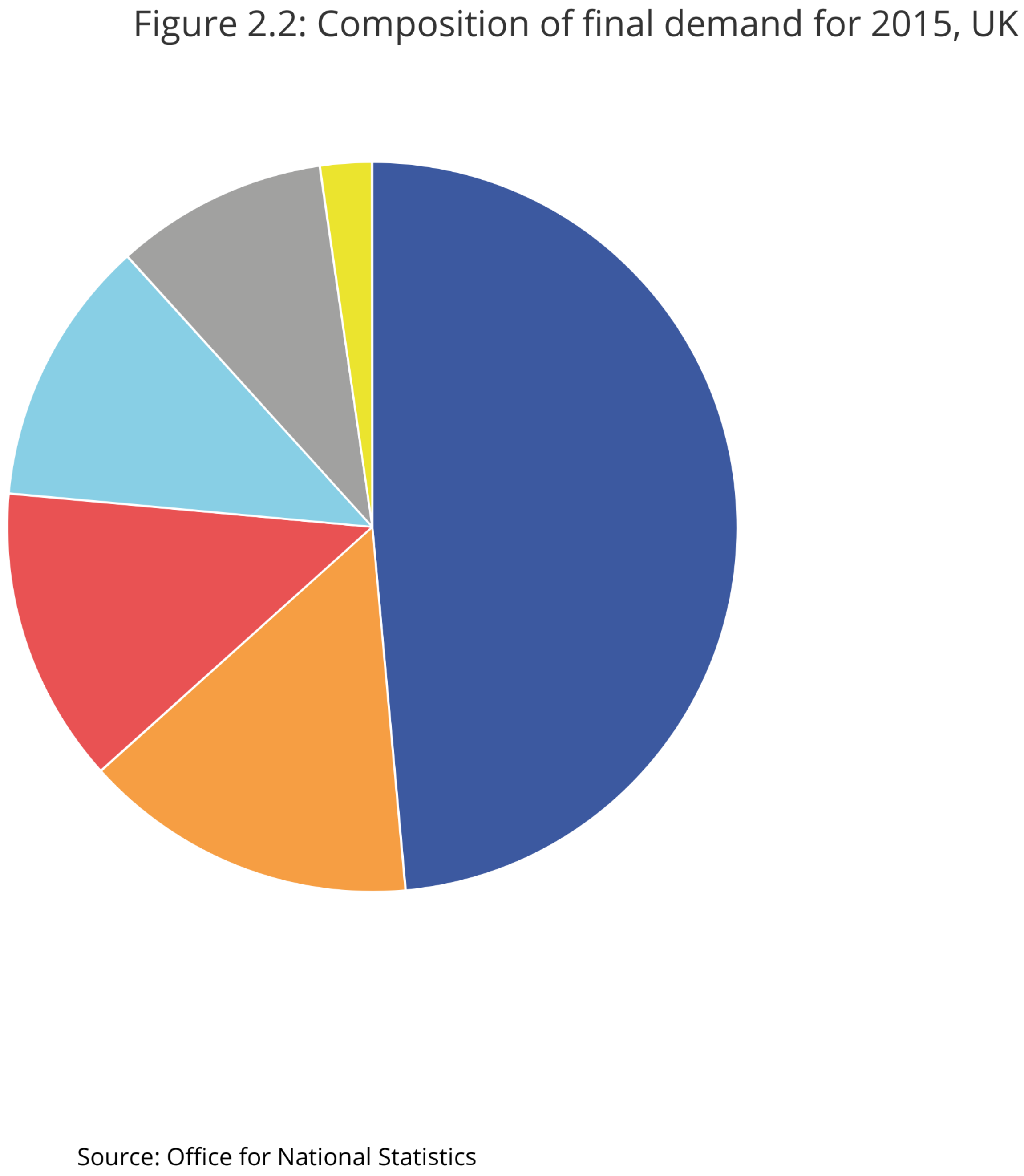


Source: Office for National Statistics

In 2015, of all goods and services entering into final demand:

- households consumed 48.5%
- 11.8% of goods and 9.4% of services were exported
- government, both central and local, consumed 14.8%
- gross capital formation, by all sectors of the economy, consumed 13.1%
- non-profit institutions serving households (NPISH) consumed 2.3%

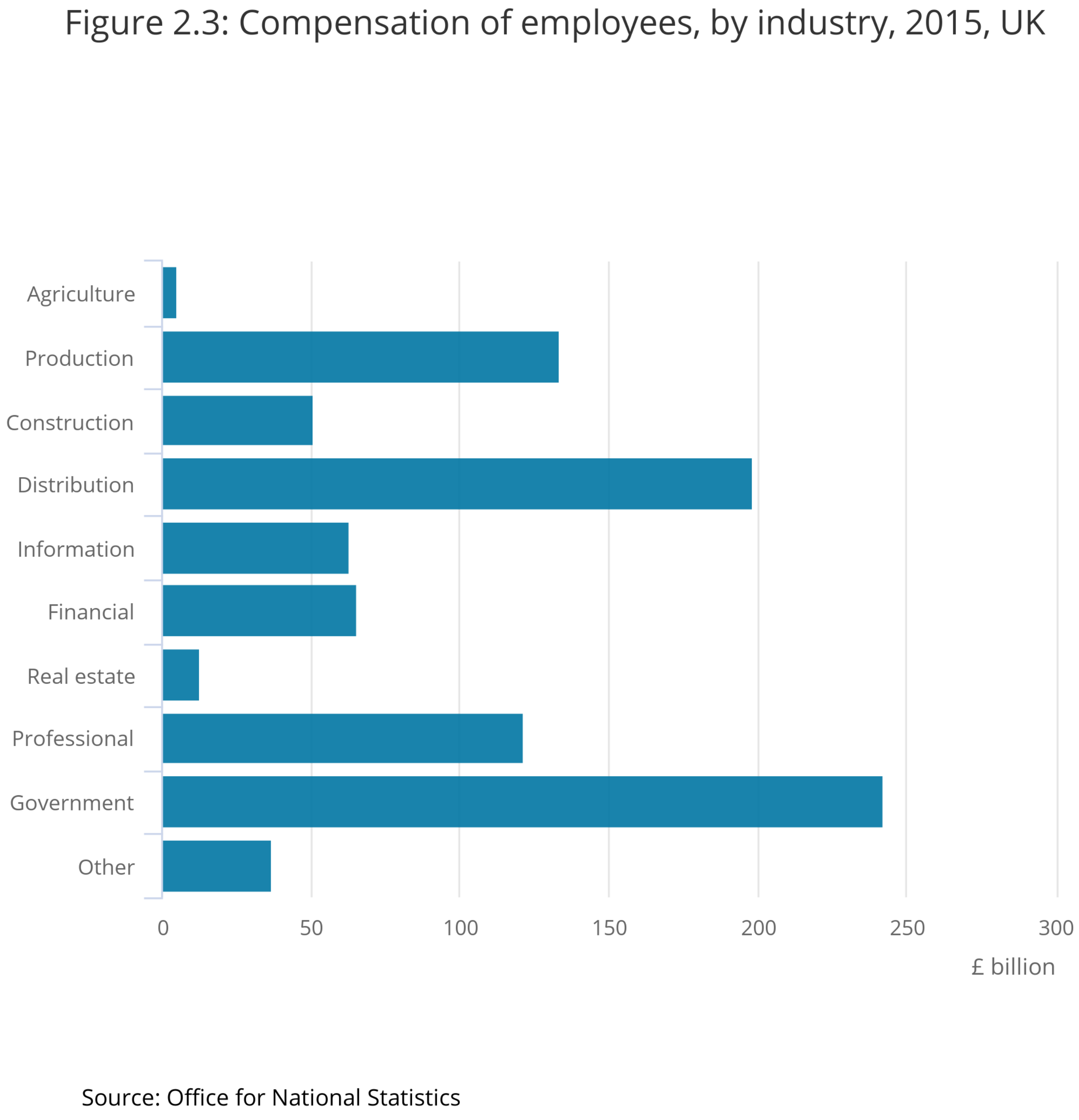
Figure 2.2: Composition of final demand for 2015, UK



Source: Office for National Statistics

The government, health and education industries showed the highest level of compensation of employees in 2015 at £242.3 billion (26%). The second largest industries, in terms of their contribution to total compensation of employees, were the distribution, transport, hotel and restaurant industries at £198.5 billion (21.3%).

Figure 2.3: Compensation of employees, by industry, 2015, UK



Source: Office for National Statistics

2 . Input-output supply and use tables

The annual estimates included in the UK National Accounts, The Blue Book: 2017 edition incorporate the results of annual inquiries that become available in the first part of the year, although last year's estimates are largely based on quarterly information. Any newly-collected data are shown as revisions. In order to reassess these estimates, supply and use tables are prepared using all the available information on inputs, outputs, gross value added, income and expenditure. To produce consolidated sector and financial accounts requires preparation of "top-to-bottom" sector and sub-sector accounts to identify discrepancies in the estimates relating to each sector.

The latest annual supply and use tables provide estimates for the years 1997 to 2015, with data for 2015 balanced for the first time. Data for 2013 to 2014 have been fully re-balanced. Data from 1997 to 2012 have been revised to incorporate changes required under new international standards and guidelines, as well as to make sure the data are comparable and meet user needs.

Further general information regarding the supply and use framework and the balancing process is available.

3 . Current price analysis (Tables 2.1, 2.1A and 2.2)

The analyses of gross value added and other variables by industry, shown in Tables 2.1, 2.1A and 2.2 reflect estimates based on Standard Industrial Classification 2007: SIC 2007. These tables are based on current price data reconciled through the input-output supply and use framework from 1997 to 2015.

Estimates of total output and gross value added are valued at basic prices, the method recommended by European System of Accounts 2010: ESA 2010. Therefore, the only taxes and subsidies included in the price will be those paid or received as part of the production process (such as business rates), rather than those associated with the production of a unit of output (such as Value Added Tax).

4 . Chained volume indices (2015=100) analyses (Table 2.3)

Table 2.3 shows chained volume estimates of gross value added (GVA) at basic prices by industry. The output approach provides the lead indicator of economic change in the short-term. In the longer-term, the output measure of real gross domestic product (GDP) is required to follow the annual path indicated by the expenditure measure of real GDP (usually to within 0.2% of the average annual GVA growth). To achieve this, balancing adjustments are sometimes applied to the output-based gross value added estimates.

We have developed an automatic function for assigning the annual adjustments to GVA. This is designed to minimise changes to the quarterly path while adjusting the overall annual growth rate to align to the expenditure measure. For technical and other reasons the adjustments are not, at present, made to retail or the non-services industries for any years.

5 . Workforce jobs by industry (Table 2.4)

Workforce jobs (WFJ) is the preferred measure of the change in jobs by industry. A person can have more than one job; therefore the number of jobs is not the same as the number of people employed.

Table 2.4 breaks down WFJ into 10 broad industry groupings on Standard Industrial Classification 2007: SIC 2007.

The main component of WFJ is employee jobs. Estimates for employee jobs are obtained mainly from surveys of businesses selected from the Inter-Departmental Business Register (IDBR). All other business surveys collecting economic data also use this register.

WFJ also includes Her Majesty's Forces (within industry section O) and government-supported trainees from administrative sources (split by industry using the Labour Force Survey).

The Labour Force Survey (LFS), a household survey, is used to collect self-employment jobs. It codes respondents according to their own view of the industry they work in; therefore the industry breakdown is less reliable than that for the business surveys.

6 . Summary supply and use tables for the UK

Table 2.1a: Summary supply and use tables 2012

Table 2.1b: Summary supply and use tables 2013

Table 2.1c: Summary supply and use tables 2014

Table 2.1d: Summary supply and use tables 2015

7 . Gross value added (GVA)

The UK National Accounts, The Blue Book provides a comprehensive industry breakdown of gross value added (GVA), with activities grouped into 20 broad sections in accordance with Standard Industrial Classification 2007: SIC 2007.

The Blue Book also includes supplementary information for the different components that make up GVA for each industry. Under the income approach, GVA is split into compensation of employees (CoE), taxes less subsidies, gross operating surplus (GOS) and mixed income. Estimates of each industry's intermediate consumption and total output are also published, with the difference between the two equalling GVA.

This additional information, available in The Blue Book, allows for more detailed analysis of national output to be conducted. For example, CoE can be used to calculate how much of an industry's production income is spent on wages and salaries and employers' social contributions, whereas GOS data can be used to estimate how much profit is generated by companies after considering labour costs and taxes less subsidies.

Compendium

Non-financial corporations

Public and private sector non-financial corporations.

Contact:
Dai Summers or Vera Ruddock
david.summers@ons.gov.uk,
vera.ruddock@ons.gsi.gov.uk
+44 (0)1633 456602, +44 (0)
1633 455864

Release date:
31 October 2017

Next release:
31 July 2018

Table of contents

1 . Non-financial corporations

Non-financial corporations produce goods and services for the market and do not, as a primary activity, deal in financial assets and liabilities.

This sector includes retailers, manufacturers, utilities, business service providers (such as accountancy and law firms), caterers, haulage companies, airlines, construction companies and farms, amongst others.

The non-financial sector is broken down into two sub-sectors:

- public sector non-financial corporations
- private sector non-financial corporations

Tables 3.1.1 to 3.1.11 relate to non-financial corporations as a whole. Tables 3.2.1 to 3.2.11 relate to public non-financial corporations, which are government-owned trading businesses. Tables 3.3.1 to 3.3.11 relate to private non-financial corporations, which are trading businesses in the private sector.

Further information on sector classifications and classification decisions can be found in the Economic statistics classifications pages.

Compendium

Financial corporations

Financial corporations including monetary financial institutions, insurance corporations and pension funds, and other financial corporations.

Contact:
Karen L Grovell
karen.l.grovell@ons.gov.uk
+44 (0)1633 456103

Release date:
31 October 2017

Next release:
31 July 2018

Table of contents

1 . Financial corporations

The financial corporations sector (S.12) consists of institutional units that are independent legal entities and market producers, and whose principal activity is the production of financial services. Such institutional units comprise all corporations and quasi-corporations that are principally engaged in:

- financial intermediation (financial intermediaries) and/or
- auxiliary financial activities (financial auxiliaries)

Also included are institutional units providing financial services, where most of either their assets or their liabilities are not transacted on open markets.

Financial intermediation is the activity in which an institutional unit acquires financial assets and incurs liabilities on its own account by engaging in financial transactions on the market. The assets and liabilities of financial intermediaries are transformed or repackaged in relation to – for example – maturity, scale, risk in the financial intermediation process.

Auxiliary financial activities are activities related to financial intermediation but which do not involve financial intermediation themselves.

Financial corporations are presented in the following groupings:

- monetary financial institutions (MFIs)
- financial corporations except MFI and ICPF
- insurance corporations and pension funds (ICPFs)

Further information on sector classifications and classification decisions can be found in Economic statistics classifications.

Compendium

General government

General government sector by central and local government.

Contact:
Bob Richards or Katherine Mills
bob.richards@ons.gsi.gov.uk,
katherine.mills@ons.gsi.gov.uk
+44 (0)1633 456424, +44 (0)
1633 456367

Release date:
31 October 2017

Next release:
31 July 2018

Table of contents

1 . General government

The general government sector is made up of units providing services for collective or individual consumption that are not sold at market prices. These units are usually funded by compulsory payments from units in other sectors (taxes) and may be involved in the redistribution of national income (for example, benefits and State Pension).

The sector includes government departments and agencies, local authorities, the devolved administrations in Northern Ireland, Scotland and Wales, the state education system, the National Health Service, the armed forces and the police. Non-departmental public bodies are also included in the general government sector.

The UK National Accounts, The Blue Book presents estimates for the general government sector and sub-sector breakdowns for:

- central government
- local government

Further information on sector classifications and classification decisions can be found in Economic statistics classifications.

Compendium

Households and non-profit institutions serving households

Households, and non-profit institutions serving households sectors.

Contact:
David Matthewson or Gareth Powell
saving.ratio@ons.gsi.gov.uk, consumer.trends@ons.gsi.gov.uk
+44 (0)1633 455969, +44 (0) 1633 455612

Release date:
31 October 2017

Next release:
31 July 2018

Table of contents

1 . Households and non-profit institutions serving households

The households sector covers both consumers and producers. Households as consumers is made up of groups of people sharing the same living accommodation who share some or all of their income and collectively consume certain types of goods and services, such as food, electricity or housing. This sector also includes the self-employed who are treated as producers. A smaller group of units within the households sector is made up of those living permanently in institutions with little economic autonomy, such as prison populations and members of religious orders living in monasteries.

Non-profit institutions serving households (NPISH) are institutions that:

- provide goods and services, either free or below the market prices
- mainly derive their income from grants and donations
- are not controlled by government

In the UK the NPISH sector includes:

- most charities
- trade unions
- religious organisations
- political parties
- the majority of universities

For the first time, the UK National Accounts, The Blue Book: 2017 edition presents estimates for the households and NPISH sectors separately. To allow comparison with previous Blue Book publications, estimates for the combined households and NPISH sectors are also presented.

Further information on sector classifications and classification decisions can be found in Economic statistics classifications.

Compendium

Rest of the world

Rest of the world sector including all institutions or individuals not resident in the UK that have economic interactions with resident units.

Contact:
Richard McCrae
bop@ons.gsi.gov.uk
+44 (0)1633 456106

Release date:
31 October 2017

Next release:
31 July 2018

Table of contents

1 . Rest of the world

The rest of the world sector includes all those institutions or individuals not resident in the UK that have economic interactions with resident units. It can include overseas corporations, charities, governments or private individuals. The sector also includes foreign embassies and consulates on UK soil.

Further information on sector classifications and classification decisions can be found in Economic statistics classifications.

Compendium

Gross fixed capital formation supplementary tables

Gross fixed capital formation estimates of net capital expenditure on fixed assets by public and private sectors.

Contact:
Alison McCrae
gcf@ons.gsi.gov.uk
+44 (0)1633 455250

Release date:
31 October 2017

Next release:
31 July 2018

Table of contents

1 . Gross fixed capital formation supplementary tables

Gross fixed capital formation (GFCF) is the estimate of net capital expenditure (acquisitions less the proceeds from disposals) on fixed assets by both the public and private sectors. Fixed assets are purchased assets used in production processes for more than one year.

Examples of capital expenditure include: spending on machinery and equipment, transport equipment, software, artistic originals, new dwellings and major improvements to dwellings, other buildings and major improvements to buildings, and structures such as roads. Additional assets consisting of research and development and military weapons systems were introduced into the definition of GFCF in the UK National Accounts, The Blue Book 2014.

Following a quality review after Blue Book 2016, it was identified that the methodology used to estimate elements of purchased software within GFCF had led to some double-counting from 1997 onwards. This issue has now been resolved and has reduced the level of GFCF across the period by around 1.1% per year. The average impact on quarter-on-quarter GFCF growth is negative 0.02% and the average impact on quarter-on-quarter gross domestic product (GDP) growth is 0.00%.

In Blue Book 2017, we have also introduced a number of other methodology changes to the estimates of GFCF and business investment. These include:

- the final integration of the new GFCF estimation system, first used for the Quarter 4 (Oct to Dec) 2016 provisional publication
- changes to methodology affecting the transfer costs asset, including:
    - the addition of transfer costs associated with the buying and selling of players in the sports industries, that is, club and agents' fees and any taxes associated with the buying and selling of players from one sports club to another; it is important to distinguish this from the transfer fee itself (that is, the monies paid from one sports club (the buyer) to another sports club (the seller))
    - the inclusion of Office for National Statistics's (ONS's) updated House Price Index methodology, used by GFCF in part for the calculation of current price transfer costs data
    - a new method to estimate the breakdown of transfer costs by institutional sector, replacing the previous method, which was based on historical proportions
- the separation of households and non-profit institutions serving households within Blue Book, as elsewhere in the UK National Accounts; this is in line with recommendations in the European System of National Accounts: ESA 2010 (Eurostat, 2013), which requires their presentation as separate entities
- reclassification of private registered providers of social housing (PRPs) in England, following a review in October 2015, which concluded that PRPs are public, market producers and should be reclassified to the public non-financial corporations' sector for the purpose of national accounts and our other economic statistics; this has impacted sectoral estimates of GFCF for public corporations and private non-financial corporations but not total GFCF
- additionally, new data has been introduced for investment in aircraft, which is included in transport equipment

Detailed explanations of these changes can be found in the Annual improvements to gross fixed capital formation source data for Blue Book 2017 article published on 16 February 2017.

National balance sheet

A measure of the national wealth, or total net worth, of the UK, showing the estimated market value of financial assets,

Contact:
Kate Davies or Daniel Groves
gcf@ons.gsi.gov.uk,
capstocks@ons.gsi.gov.uk
+44 (0)1633 455617, +44 (0) 1633 456341

Release date:
31 October 2017

Next release:
31 July 2018

Table of contents

1 . National balance sheet

The national balance sheet is a measure of the national wealth, or total net worth, of the UK. It shows the estimated market value of financial assets, for example, shares and deposits at banks and non-financial assets like dwellings and machinery. Market value is an estimate of how much these assets would sell for, if sold on the market.

The estimates are used for international comparisons, to monitor economic performance and inform monetary and fiscal policy decisions.

Financial assets and liabilities include:

- means of payment, such as currency
- financial claims, such as loans
- economic assets, which are close to financial claims in nature, such as shares

Non-financial assets include:

Produced non-financial assets:

- buildings and other structures
- machinery and equipment
- certain farming stocks, mainly dairy cattle and orchards
- intellectual property products, such as computer software and databases, and research and development
- inventories
- valuables, such as works of art and precious stones

Non-produced assets:

- contracts, leases and licences
- natural resources

Data sources include:

- Office for National Statistics's (ONS's) National Balance Sheet Survey
- Chartered Institute of Public Finance and Accountancy report on local authority assets
- annual reports of public corporations and major businesses
- industry publications
- other government departments and agencies

Where non-financial asset market valuations are not readily available, we use a proxy based on the UK net capital stocks data, modelled in the perpetual inventory method (PIM).

For central government, data are taken from returns made by government departments to HM Treasury.

Local authority housing is shown in the public non-financial corporations sector. This is because government-owned market activities are always treated as being carried out by public corporations, either in their own right or via quasi-corporations.

Compendium

Public sector supplementary tables

The main taxes and social contributions payable by UK residents to central and local government and the European Union.

Contact:
Bob Richards
bob.richards@ons.gsi.gov.uk
+44 (0)1633 456424

Release date:
31 October 2017

Next release:
31 July 2018

Table of contents

1 . Introduction

The majority of government income is provided by taxes and social contributions. Table 10.1 provides a breakdown of the main taxes and social contributions payable by UK residents to both the government (both central and local government) and to the European Union.

2 . Taxes and social contributions payable by UK residents

Taxes on production are included in gross domestic product (GDP) at market prices.

Other taxes on production include taxes levied on inputs to production. This includes national non-domestic rates, also known as business rates, and a range of compulsory unrequited levies that producers have to pay.

Taxes on products are taxes levied on the sale of goods and services, this includes Value Added Tax (VAT) and Fuel Duty.

Taxes on income and wealth include Income Tax and Corporation Tax. Income Tax is the largest single source of tax revenue paid by UK residents. This category also includes a number of other charges payable by households including Council Tax, the BBC licence fee and taxes such as Vehicle Excise Duty, which, when paid by businesses, are classified as taxes on production. The totals include tax credits and reliefs recorded as expenditure in the national accounts, such as Working Tax Credit and Child Tax Credit.

The European System of Accounts 2010: ESA 2010 has a specific category of payments to government called compulsory social contributions. These are payments associated with social security schemes, such as unemployment benefit and pensions. In the UK accounts this category includes all National Insurance contributions. Details of total social contributions and benefits are shown in Tables 5.2.4S and 5.3.4S.

Capital taxes are taxes levied at irregular or infrequent intervals on the values of assets, gifts or legacies. In the UK the main capital tax is Inheritance Tax.

Some UK taxes are recorded as the resources of the European Union (EU). These include taxes on imports, which are payable to the EU under the EU treaties.

Compendium

How our statistics are used by the European Union

How the EU uses national accounts data in the calculation of gross national income, used to set the EU budget and member contributions.

Contact: Bob Richards or Craig Taylor | Release date: 31 October 2017 | Next release: 31 July 2018

bob.richards@ons.gsi.gov.uk,
trade@ons.gsi.gov.uk
+44 (0)1633 456424, +44 (0)
1633 456333

Table of contents

1 . Introduction

The European Union (EU) uses national accounts data for a number of administrative and economic purposes. Gross national income (GNI) is one of the four measures used by the EU and is calculated in accordance with the European System of Accounts. GNI is used to set the EU budget and to calculate part of member states' contributions to the EU budget and is based on the European System of Accounts 2010: ESA 2010.

2 . UK transactions with the institutions of the European Union

Table 11.1 shows payments flowing between the EU and the UK. The first part of the table shows the payments flowing into the UK in the form of EU expenditure. The second part of the table shows the UK contribution to the EU budget, which depends on UK GNI. An explanatory note detailing GDP, GNI and the UK's contribution to the EU budget was published on 8 September 2015.

3 . Data to monitor government deficit and debt

The convergence criteria for Economic and Monetary Union (EMU) are set out in the 1992 Treaty on European Union (The Maastricht Treaty). The Treaty, plus the Stability and Growth Pact, requires member states to avoid excessive government deficits – defined as general government net borrowing and gross debt as a percentage of gross domestic product (GDP). The Treaty does not determine what constitutes "excessive". This is agreed by the Economic and Finance Council (ECOFIN).

Member states report their planned and actual deficits and the levels of their debt to the European Commission. Data to monitor excessive deficits are supplied in accordance with EU legislation.

The UK submitted the estimates in Table 11.a to the European Commission in October 2017.

Table 11.a: UK Government deficit and debt, financial year ending 2011 to financial year ending 2017, UK

	2010 to 2011	2011 to 2012	2012 to 2013	2013 to 2014	2014 to 2015	2015 to 2016	2016 to 2017
General government deficit							
Net borrowing (£ billion)	142.0	123.8	124.2	100.1	91	75.8	45.5
As a percentage of GDP	8.9	7.5	7.3	5.6	4.9	4.0	2.3
General government debt							
Debt at nominal value (£ billion)	1,214.5	1,349.7	1,425.6	1,522.5	1,604.0	1,652.0	1,720.0
As a percentage of GDP	75.9	82.3	83.8	85.8	86.7	86.8	86.8

Source: Office for National Statistics

Compendium

UK environmental accounts

Estimates of oil and gas reserves, energy consumption, atmospheric emissions and material flows.

Contact:
Gemma N Thomas
environment.accounts@ons.gsi.gov.uk
+44 (0)1633 455523

Release date:
31 October 2017

Next release:
31 July 2018

Table of contents

1 . Environmental accounts

Environmental accounts are:

- “satellite accounts” to the main national accounts
- compiled in accordance with the System of Environmental-Economic Accounting (SEEA), which closely follows the United Nations System of National Accounts (SNA)

Environmental accounts measure:

- the impact the economy has on the environment
- how the environment contributes to the economy
- how society responds to environmental issues by using the accounting framework and concepts of the national accounts.

Environmental accounts are used to:

- inform sustainable development policy
- model impacts of fiscal or monetary measures
- evaluate the environmental impacts of different sectors of the economy

Environmental accounts data:

- are mostly provided in units of physical measurement (mass or volume)
- can be provided in monetary units, where this is the most relevant or only data available

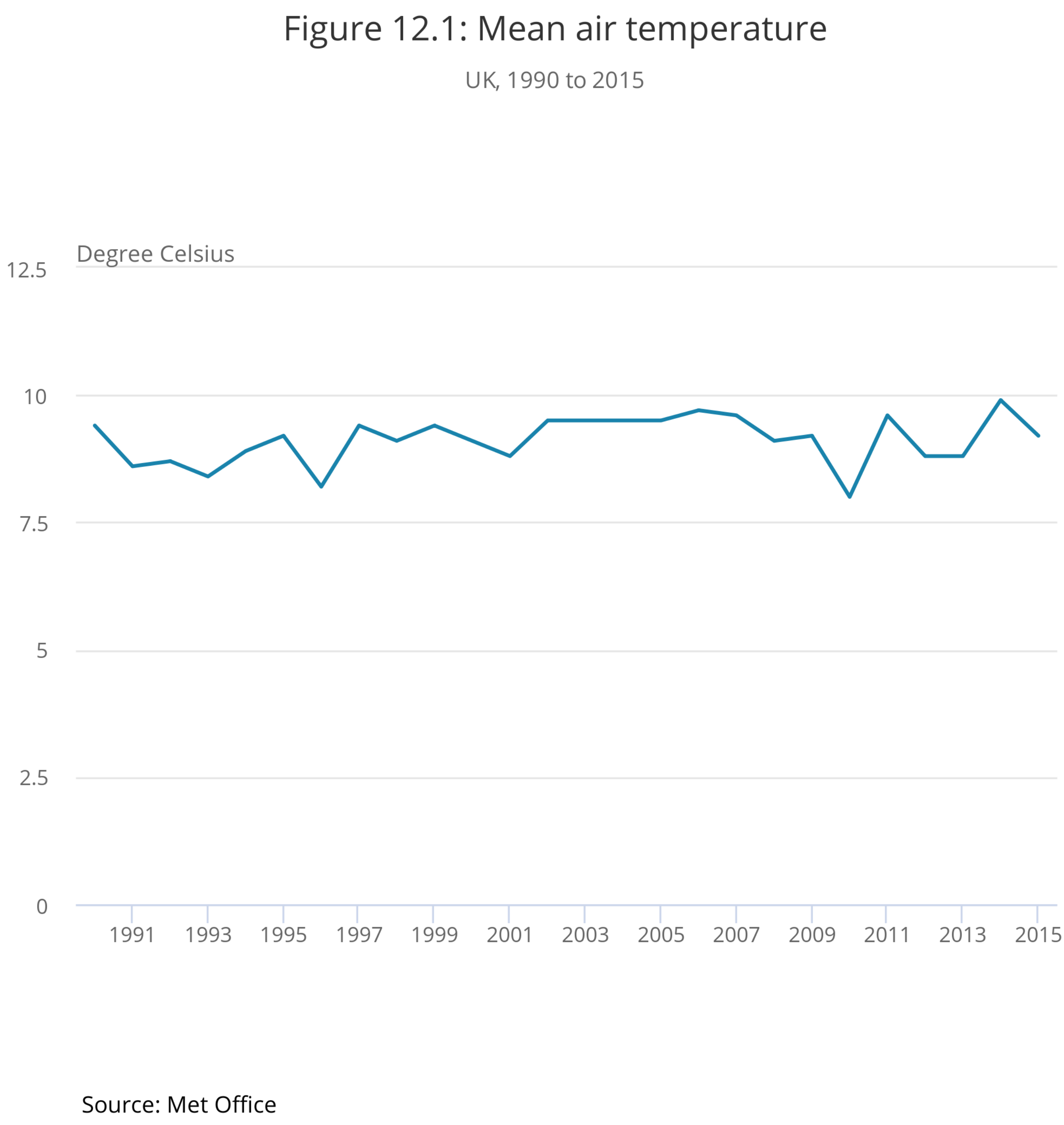
Tables 12.1 to 12.5 show estimates of oil and gas reserves, energy consumption, atmospheric emissions and material flows. More data, information and other environmental accounts (including fuel use, environmental goods and services sector, waste, environmental taxes, environmental protection expenditure, low carbon and renewable energy economy and experimental natural capital accounts) can be found on the UK Environmental Accounts release page.

2 . Temperature

Figure 12.1 shows the change in mean air temperature between 1990 and 2015. This measure helps to contextualise some of the changes observed across the environmental accounts. For example, the average temperature fell to 8.0 degrees Celsius (°C) in 2010 from 9.2°C in 2009, which contributed to the increases in energy consumption and greenhouse gas emissions observed during that year. At the same time, gross domestic product (GDP) started to recover following the economic downturn, which may also explain the increases in consumption and emissions. Between 2014 and 2015, the average air temperature fell by 0.7°C (from a record high of 9.9°C to 9.2°C). Despite this fall, the average air temperature in 2015 was above usual levels.

Figure 12.1: Mean air temperature

UK, 1990 to 2015



Source: Met Office

3 . Oil and gas reserves

Table 12.1 presents non-monetary estimates of the oil and gas reserves and resources in the UK. “Resources” are minerals that are potentially valuable and could eventually be extracted, whereas “reserves” refer to discovered minerals that are recoverable and commercially viable.

Reserves can be proven, probable or possible depending on the confidence level:

- proven reserves (based on the available evidence) are virtually certain to be technically and commercially producible, that is, have a better than 90% chance of being produced

- probable reserves are not yet proven but have a more than 50% chance of being produced

- possible reserves cannot be regarded as probable at present, but are estimated to have a significant (but less than 50%) chance of being technically and commercially producible

This year the Oil and Gas Authority has developed a new category of oil and gas reserves, known as “contingent resources”. Contingent resources are defined as “significant discoveries where development plans are under discussion”. In the past these would have been included as “probable reserves”.

Oil is defined as both oil and the liquids that can be obtained from gas fields. Shale oil is not included in the estimates. Total (discovered; proven and probable, plus possible reserve, contingent resources and undiscovered) oil reserves and resources for 2015 were estimated to be between 1,387 million tonnes and 2,287 million tonnes. The upper range for total oil reserves decreased between 2014 and 2015 by 4.9%, whilst the lower range decreased by 7.8%.

Gas includes gas expected to be available for sale from dry gas fields, gas condensate fields, oil fields associated with gas and a small amount from coal bed methane projects. Shale gas is not included in these estimates. These reserves include onshore and offshore discoveries, but not flared gas or gas consumed in production operations. Total gas reserves and resources were estimated between 872 billion cubic metres (bcm) and 1,507 bcm in 2015. The upper range for total gas reserves and resources had fallen by 5.5% between 2014 and 2015, and the lower range had fallen by 9.1%.

4 . Energy consumption

Table 12.2 presents energy consumption by industry for the UK. Energy consumption is defined as the use of energy for power generation, heating and transport. This is essential to most economic activities, for example, as input for production processes. “Direct use of energy” refers to the energy content of fuel for energy at the point of use, allocated to the original purchasers and consumers of fuels. For “reallocated use of energy”, the losses incurred during transformation[1] and distribution[2] are allocated to the final consumer of the energy rather than incorporating it all in the electricity generation sector.

Total energy consumption of primary fuels and equivalent was 202.4 million tonnes of oil equivalent (Mtoe) in 2015, which was 0.6% higher than in 2014. Fossil fuels remained the dominant source of energy supply. Energy consumption from fossil fuels in 2015 was at the lowest level since 1990 at 167.7 Mtoe. This represented 82.9% of total energy consumption.

Although fossil fuels are the main source of energy for consumption, other sources (including nuclear, net imports, and renewable and waste sources) are becoming increasingly important. Total energy consumption from other sources was 34.7 Mtoe in 2015, which was 15.7% higher than in 2014. This is the second largest year-on-year increase across the time series. The largest increase occurred between 2008 and 2009, when energy consumption from other sources rose by 17.1%.

Notes for: Energy consumption

1. Transformation losses are the differences between the energy content of the input and output product, arising from the transformation of one energy product to another.

2. Distribution losses are losses of energy product during transmission (for example, losses of electricity in the grid) between the supplier and the user of the energy.

5 . Atmospheric emissions

Tables 12.3 and 12.4 show emissions of greenhouse gases, acid rain precursors (ARP) and other pollutants by industry for the UK.

Atmospheric emissions of greenhouse gases are widely believed to contribute to global warming and climate change. In 2015, emissions of greenhouse gases were estimated to be 595.2 million tonnes of carbon dioxide equivalent (Mt CO2e), the lowest level since 1990. Across the time series, the largest annual fall in emissions of greenhouse gases occurred in 2009, following the onset of the economic downturn in 2008, when emissions decreased by 8.3%. Between 2014 and 2015, emissions decreased by 12.1 Mt CO2e (2.0%). This was due primarily to reductions in carbon dioxide and methane emissions from the “energy supply, water and waste” sector.

Unlike the majority of other sectors the “transport, storage and communications sector” [1] has seen an increase in greenhouse gas (GHG) emissions. Between 2014 and 2015, this increase was due largely to increases in emissions from fuel oil used in shipping.

Carbon dioxide (CO2) was the dominant greenhouse gas, accounting for 84.7% of the UK’s total greenhouse gas emissions in 2015. The remainder of greenhouse gas emissions comprised methane (8.8%), nitrous oxide (3.7%) and fluorinated gases (2.8%).

Acid rain can have harmful effects on the environment and is caused primarily by emissions of sulphur dioxide (SO2), nitrogen oxide (NOX) and ammonia (NH3). For comparability, all figures are weighted according to their acidifying potential and presented as sulphur dioxide equivalents (SO2e). Since 1990, acid rain precursors (ARP) emissions have decreased sharply, falling by 73.9%, from 6.9 million tonnes of sulphur dioxide equivalent (Mt SO2e) to 1.8 Mt SO2e in 2015.

The reduction in ARPs was due largely to a reduction in sulphur dioxide (SO2) emissions, which fell by over 90% between 1990 and 2015. This change can be linked to policy initiatives [2] to discourage the use of high sulphur fuels, control the sulphur content of those fuels and encourage the adoption of cleaner technologies and in particular to the switch from coal to gas in electricity generation.

Notes for: Atmospheric emissions

1. To enable a consistent time series the following SICs have been combined: “transport and storage” and “information and communication” into “transport, storage and communications sector”.

2. Policies include UK National Air Quality Strategy Directive on Integrated Pollution Prevention and Control (IPPC) (Directive 2008/1/EC); Directive on industrial emissions 2010/75/EU (IED); UK Pollution Prevention and Control (PPC) regulations; Large combustion plant directive (LCPD, 2001/80/EC); Limiting sulphur emissions from the combustion of certain liquid fuels by controlling the sulphur contents of certain liquid fuels (Directive 1999/32/EC); Annex VI of the MARPOL agreement for ship emissions, augmented by the Sulphur Content of Marine Fuels Directive 2005/33/EC and the introduction of Sulphur Emission Control Areas.

6 . Material flows

Table 12.5 presents economy-wide material flow accounts, which estimate the physical flow of materials [1] through the UK economy. The quantity of materials extracted in the UK has been gradually declining and fell to 419 million tonnes in 2013, the lowest point since 2000. However, in the last two years, we have observed a rise in domestic extraction. Between 2014 and 2015, total domestic extraction increased by 1.6% to 450 million tonnes.

Domestic extraction is divided into four categories: biomass, non-metallic minerals, fossil energy materials or carriers and metal ores. Biomass includes material of biological origin that is not from fossil, such as crops, wood and wild fish catch. In 2015, there were 135 million tonnes of biomass extracted, 8 million tonnes less than in

2014 (143 million tonnes). Of this, crop residues, fodder crops and grazed biomass accounted for 62.6% (85 million tonnes).

Non-metallic minerals are mainly construction and industrial minerals, including limestone and gypsum, sand and gravel, and clays. There has been an overall fall in extraction of non-metallic minerals since 2000. However, extraction of non-metallic minerals has been increasing since 2012. In 2015, there was a 4.7% increase in the extraction of non-metallic minerals (from 211 million tonnes to 221 million tonnes).

Fossil energy materials and carriers include coal, peat, crude oil and natural gas. The extraction of these increased by 6.0% between 2014 and 2015, to 94 million tones. This was the first increase since 2000 and can be attributed to an increase in the production of crude oil and natural gas liquids from the North Sea due to the opening of new fields. Prior to this increase, extraction of fossil energy materials had fallen 66.7% between 2000 and 2014.

Physical imports increased by 32.4% between 2000 and 2015, rising from 210 million tonnes to 278 million tonnes. Contrary to this, physical exports have gradually decreased, peaking at 197 million tonnes in 2002 and falling to 152 million tonnes in 2015 – the lowest point since 2000. The rise in imports partly offsets the decline in domestic extraction.

The physical trade balance (PTB) shows the relationship between imports and exports and is calculated by subtracting the weight of exports from the weight of imports[2]. The UK has a positive PTB, meaning that more materials and products are imported than are exported.

In 2000, the PTB was relatively small at 16 million tonnes. It generally increased until 2007, but then fell between 2008 and 2010 during the economic downturn. Since 2010, the PTB has increased, peaking at 148 million tonnes in 2013. However, the PTB decreased by 11.9% in 2015 (to 127 million tonnes). Despite this, the amount of materials and products that were imported (278 million tonnes) was almost twice the amount of materials and products that were exported (152 million tonnes), suggesting that the UK may be becoming more reliant on the production of materials in other countries.

Direct material input (DMI) (domestic extraction plus imports) measures the total amount of materials that are available for use in the economy.

Domestic material consumption (DMC) (domestic extraction plus imports minus exports) measures the amount of materials used in the economy and is calculated by subtracting exports from DMI.

In 2015, the UK consumed 576 million tonnes of material, consisting of 230 million tonnes of non-metallic minerals (40.0%), 173 million tonnes of biomass (30.1%), 159 million tonnes of fossil fuels (27.6%) and 14 million tonnes of metal ores (2.4%).

Between 2000 and 2015, DMI and DMC decreased by 21.5% and 22.0% respectively. DMI and DMC have gradually declined since the start of the economic downturn in 2008. This indicates that fewer material resources were being used and consumed in the UK economy. DMI and DMC fell most sharply between 2008 and 2009 (decreasing by 11.4% and 12.2%, respectively). Between 2014 and 2015, DMI decreased by 1.5%, from 739 million tonnes to 728 million tonnes and DMC decreased by 2.5%, from 591 million tonnes to 576 million tonnes.

Notes for: Material flows

1. Provisional figures for 2014 have been revised and data gaps addressed, resulting in an increase in domestic extraction in the previously reported 2014 figures. Data on minerals and crops are not available for 2015, so estimates have been used in the calculations of the material flow accounts.

2. The physical trade balance (imports minus exports) is defined in reverse to the monetary trade balance (exports minus imports). Physical estimates can differ quite significantly from monetary estimates.

7 . More information

There is more information about environmental accounts on the UK Environmental Accounts release page.

Compendium

Flow of funds

Estimates of stocks and flows of financial assets and liabilities by institutional sector and financial instrument.

Contact:
David Sweet
david.sweet@ons.gov.uk
+44 (0)1633 455860

Release date:
31 October 2017

Next release:
31 July 2018

Table of contents

1 . Introduction

The tables in this chapter present estimates of stocks and flows of financial assets and liabilities by institutional sector and financial instrument.

Of these tables:

- Table 13.1 presents flows (or transactions) of financial assets and liabilities for each institutional sector and lower-level financial instrument (financial account)
- Table 13.2 presents levels (or stocks) of financial assets and liabilities for each institutional sector and lower-level financial instrument (balance sheet)
- Tables 13.3.1 to 13.3.8 present both financial flows and stocks by institutional sector and financial instrument

Estimates for all the institutional sectors are brought together in this chapter, to allow changes in assets and liabilities to be compared across the sectors. Estimates for each individual sector are also published in the appropriate sector chapters in this publication.

These financial statistics are important for identifying the build-up of risks in the financial sector and for understanding financial connections among the institutional sectors and sub-sectors within the economy.

2 . What is flow of funds?

“Flow of funds” are the financial flows across sectors of the UK economy and the rest of the world. Information can be presented on debtor and creditor relationships and the changes in financial assets and liabilities in the economy. Flow of funds is based on the principle that the movement of all funds must be accounted for. Across the total economy (UK and the rest of the world), the total sources of funds must equal the total uses of funds and every financial asset transaction must have a counterpart liability transaction.

Since the recent global financial crisis, the international community has had an increased focus on the analysis of financial stability and the development of improvements to the data, which support that analysis. This is particularly important for those countries, like the UK, which have a significant financial sector. An important area identified internationally for improvement is the development of flow of funds counterpart statistics. These improve our understanding of how each individual sector may be exposed to the risk that may build up in other sectors. These statistics support macro-economic analysis and financial stability policy.

Counterpart statistics are not currently presented in this chapter. However, in response to the need for counterpart statistics, Office for National Statistics and the Bank of England started the joint Flow of Funds Project in 2014. More information on the project and experimental counterpart statistics is available based on last year’s figures. Updated figures will be published on 17 November 2017.

Compendium

Glossary

An A to Z definition of the main terms used within the national accounts.

Contact:
Rob Kent-Smith
gdp@ons.gsi.gov.uk
+44 (0)1633 451618

Release date:
31 October 2017

Next release:
31 July 2018

Table of contents

1 . A to B

Above the line

Transactions in the production, current and capital accounts, which are above the net lending (positive) or net borrowing (negative) (financial surplus or deficit) line in the presentation used in the economic accounts. The financial transactions account is below the line in this presentation.

Accruals basis

A method of recording transactions to relate them to the period when the exchange of ownership of the goods, services or financial asset applies (see also cash basis). For example, Value Added Tax accrues when the expenditure to which it relates takes place, but HM Revenue and Customs receives the cash some time later. The difference between accruals and cash results in the creation of an asset and liability in the financial accounts, shown as amounts receivable or payable (F.7).

Actual final consumption

The value of goods consumed by a sector but not necessarily purchased by that sector (see also final consumption expenditure, intermediate consumption).

Advance and progress payments

Payments made for goods in advance of completion and delivery of the goods and services. Also referred to as staged payments.

Asset boundary

Boundary separating assets included in creating core economic accounts (such as plant and factories, also including non-produced assets such as land and water resources) and those excluded (such as natural assets not managed for an economic purpose).

Assets

Entities over which ownership rights are enforced by institutional units, individually or collectively; and from which economic benefits may be derived by their owners by holding them over a period of time.

Balancing item

A balancing item is an accounting construct obtained by subtracting the total value of the entries on one side of an account from the total value for the other side.

Balance of payments

A summary of the transactions between residents of a country and residents abroad in a given time period.

Balance of trade

The balance of trade in goods and services. The balance of trade is a summary of the imports and exports of goods and services across an economic boundary in a given period.

Balance sheet

A statement, drawn up at a particular point in time, of the value of assets owned and of the financial claims (liabilities) against the owner of these assets.

Bank of England

This comprises S.121, the central bank sub-sector of the financial corporations' sector.

Bank of England – Issue Department

This part of the Bank of England deals with the issue of bank notes on behalf of central government. It was formerly classified to central government though it is now part of the central bank and monetary authorities sector. Its activities include, among other things, market purchases of commercial bills from UK banks.

Basic prices

These prices are the preferred method of valuing gross value added and output. They reflect the amount received by the producer for a unit of goods or services, minus any taxes payable, plus any subsidy receivable on that unit as a consequence of production or sale (that is, the cost of production including subsidies). As a result the only taxes included in the basic price are taxes on the production process – such as business rates and any Vehicle Excise Duty paid by businesses – that are not specifically levied on the production of a unit of output. Basic prices exclude any transport charges invoiced separately by the producer.

Below the line

The financial transactions account that shows the financing of net lending (positive) or net borrowing (negative) (formerly financial surplus or deficit).

Bond

A financial instrument that usually pays interest to the holder. Bonds are issued by governments as well as by companies and other institutions, for example, local authorities. Most bonds have a fixed date on which the borrower will repay the holder. Bonds are attractive to investors since they can be bought and sold easily in a secondary market. Special forms of bonds include deep discount bonds, equity warrant bonds, Eurobonds and zero coupon bonds.

British government securities

Securities issued or guaranteed by the UK government; also known as gilts.

2 . C to D

Capital

Capital assets are those that contribute to the productive process so as to produce an economic return. In other contexts the word can be taken to include tangible assets (for example, buildings, plant and machinery), intangible assets and financial capital (see also fixed assets, inventories).

Capital formation

Acquisitions less disposals of fixed assets, improvement of land, change in inventories and acquisitions less disposals of valuables.

Capital stock

A measure of the cost of replacing the capital assets of a country held at a particular point in time.

Capital transfers

Transfers that are related to the acquisition or disposal of assets by the recipient or payer. They may be in cash or kind and may be imputed to reflect the assumption or forgiveness of debt.

Cash basis

The recording of transactions when cash or other assets are actually transferred, rather than on an accruals basis.

Certificate of deposit

A short-term interest-paying instrument issued by deposit-taking institutions in return for money deposited for a fixed period. Interest is earned at a given rate. The instrument can be used as security for a loan if the depositor requires money before the repayment date.

Chained volume measures

Chained volume measures are time series that measure gross domestic product (GDP) in real terms (that is, excluding price effects). Series are calculated in the prices of the previous year and in current price and all of these two-year series are then "chain-linked" together. The advantage of the chain-linking method is that the previous period's price structure is more relevant than the price structure of a fixed period from further in the past.

Cost, insurance and freight (CIF)

The basis of valuation of imports for customs purposes, it includes the cost of insurance premiums and freight services. These need to be deducted to obtain the free-on-board (FOB) valuation consistent with the valuation of exports that is used in the economic accounts.

Classification of Individual Consumption by Purpose (COICOP)

An international classification that groups consumption according to its function or purpose. Thus the heading clothing, for example, includes expenditure on garments, clothing materials, laundry and repairs. Used to classify the expenditure of households.

Combined use table

Table of the demand for products by each industry group or sector, whether from domestic production or imports, estimated at purchasers' prices. It displays the inputs used by each industry to produce their total output and separates out intermediate purchases of goods and services. The table shows which industries use which products. Columns represent the purchasing industries; rows represent the products purchased.

Commercial paper

This is an unsecured promissory note for a specific amount, maturing on a specific date. The commercial paper market allows companies to issue short-term debt directly to financial institutions, who then market this paper to investors or use it for their own investment purposes.

Compensation of employees

Total remuneration payable to employees in cash or in kind. Includes the value of social contributions payable by the employer.

Consolidated accounts

Those accounts that are drawn up to reflect the affairs of a group of entities. For example, a ministry or holding company with many different operating agencies or subsidiary companies may prepare consolidated accounts reflecting the affairs of the organisation as a whole, as well as accounts for each operating agency or subsidiary.

Consolidated fund

An account of central government into which most government revenue (excluding borrowing and certain payments to government departments) is paid and from which most government expenditure (excluding loans and National Insurance benefits) is paid.

Consumption

See final consumption, intermediate consumption.

Consumption of fixed capital

The amount of capital resources used up in the process of production in any period. It is not an identifiable set of transactions but an imputed transaction, which can only be measured by a system of conventions.

Corporations

All bodies recognised as independent legal entities that are producers of market output and whose principal activity is the production of goods and services.

Counterpart

In a double-entry system of accounting, each transaction gives rise to two corresponding entries. These entries are the counterparts to each other. Thus the counterpart of a payment by one sector is the receipt by another.

Debenture

A long-term bond issued by a UK or foreign company and secured on fixed assets. A debenture entitles the holder to a fixed interest payment or a series of such payments.

Depreciation

See consumption of fixed capital.

Derivatives (F.71)

Financial instruments whose value is linked to changes in the value of another financial instrument, an indicator or a commodity. In contrast to the holder of a primary financial instrument (for example, a government bond or a bank deposit), who has an unqualified right to receive cash (or some other economic benefit) in the future, the holder of a derivative has only a qualified right to receive such a benefit. Examples of derivatives are options and swaps.

Dividend and Interest Matrix (DIM)

The Dividend and Interest Matrix represents property income flows related to holdings of financial transactions. The gross flows are shown in D.4 property income.

Direct investment

Net investment by UK or foreign companies in their foreign or UK branches, subsidiaries or associated companies. A direct investment in a company means that the investor has a significant influence on the operations of the company, defined as having an equity interest in an enterprise resident in another country of 10% or more of the ordinary shares or voting stock. Investment includes not only acquisition of fixed assets, stock building and stock appreciation, but also all other financial transactions such as: additions to, or payments of working capital; other loans and trade credit; and acquisitions of securities. Estimates of investment flows allow for depreciation in any undistributed profits. Funds raised by the subsidiary or associate company in the economy in which it operates are excluded as they are locally raised and not sourced from the parent company.

Discount market

That part of the market dealing with short-term borrowing. It is called the discount market because the interest on loans is expressed as a percentage reduction (discount) on the amount paid to the borrower. For example, for a loan of £100 face value when the discount rate is 5%, the borrower will receive £95, but will repay £100 at the end of the term.

Double deflation

Method for calculating value added by industry chained volume measures, which takes separate account of the differing price and volume movements of input and outputs in an industry’s production process.

Dividend

A payment made to company shareholders from current or previously retained profits. Dividends are recorded when they become payable. See Dividend and Interest Matrix (DIM).

3 . E to F

ECGD

See Export Credit Guarantee Department.

Economically significant prices

These are prices whose level significantly affects the supply of the good or service concerned. Market output consists mainly of goods and services sold at “economically significant” prices, while non-market output comprises those provided free or at prices that are not economically significant.

Employee stock options

An employee stock option is an agreement made on a given date (the “grant” date) under which an employee may purchase a given number of shares of the employer’s stock at a stated price (the “strike” price), either at a stated time (the “vesting” date) or within a period of time (the “exercise” period) immediately following the vesting date.

Enterprise

An institutional unit producing market output. Enterprises are found mainly in the non-financial and financial corporations sectors but exist in all sectors. Each enterprise consists of one or more kind-of-activity units.

Environmental accounts

Satellite accounts describing the relationship between the environment and the economy.

Equity

Equity is ownership of a residual claim on the assets of the institutional unit that issued the instrument. Equities differ from other financial instruments in that they confer ownership of something more than a financial claim. Shareholders are owners of the company whereas bondholders are merely outside creditors.

European System of National and Regional Accounts (ESA)

An integrated system of economic accounts, which is the European version of the System of National Accounts (SNA).

European Investment Bank

This was set up to assist economic development within the European Union. Its members are the member states of the EU.

Exchange Cover Scheme (ECS)

A scheme first introduced in 1969 whereby UK public bodies raise foreign currency from overseas residents, either directly or through UK banks, and surrender it to the Exchange Equalisation Account in exchange for sterling for use to finance expenditure in the UK. HM Treasury sells the borrower foreign currency to service and repay the loan at the exchange rate that applied when the loan was taken out.

Exchange Equalisation Account (EEA)

The government account with the Bank of England in which transactions in reserve assets are recorded. These transactions are classified to the central government sector. It is the means by which the government, through the Bank of England, influences exchange rates.

Export credit

Credit extended abroad by UK institutions, primarily in connection with UK exports but also including some credit in respect of third country trade.

Export Credit Guarantee Department (ECGD)

A non-ministerial government department, classified to the public corporations sector, the main function of which is to provide insurance cover for export credit transactions.

Factor cost

In the System of National Accounts 1968 this was the basis of valuation that excluded the effects of taxes on expenditure and subsidies.

Final consumption expenditure

The expenditure on those goods and services used for the direct satisfaction of individual needs or the collective needs of members of the community, as distinct from their purchase for use in the productive process. It may be contrasted with actual final consumption, which is the value of goods consumed but not necessarily purchased by that sector (see also intermediate consumption).

Financial auxiliaries (S.126)

Auxiliary financial activities are ones closely related to financial intermediation but which are not financial intermediation themselves, such as the repackaging of funds, insurance broking and fund management. Financial auxiliaries therefore include insurance brokers and fund managers.

Financial corporations (S.12)

All bodies recognised as independent legal entities whose principal activity is financial intermediation and/or the production of auxiliary financial services.

Financial intermediation

Financial intermediation is the activity by which an institutional unit acquires financial assets and incurs liabilities on its own account by engaging in financial transactions on the market. The assets and liabilities of financial intermediaries have different characteristics so that the funds are transformed or repackaged with respect to maturity, scale, risk and so on, in the financial intermediation process.

Financial leasing

A form of leasing in which the lessee (the leaseholder) contracts to assume the rights and responsibilities of ownership of leased goods from the lessor (the legal owner) for the whole (or virtually the whole) of the economic life of the asset. In the economic accounts this is recorded as the sale of the asset to the lessee, financed by an imputed loan (F.42). The leasing payments are split into interest payments and repayments of principal.

Financial intermediation services indirectly measured (FISIM)

FISIM represents the implicit charge for the service provided by monetary financial institutions paid for by the interest differential between borrowing and lending rather than through fees and commissions.

Fixed assets

Produced assets that are themselves used repeatedly or continuously in the production process for more than one year. They comprise buildings and other structures, vehicles and other plant and machinery, and also plants and livestock that are used repeatedly or continuously in production, for example, fruit trees or dairy cattle. They also include intangible assets such as computer software, research and development, and artistic originals.

Flows

Economic flows reflect the creation, transformation, exchange, transfer, or extinction of economic value. They involve changes in the volume, composition, or value of an institutional unit’s assets and liabilities. They are recorded in the production, distribution and use of income and accumulation accounts.

FOB (free on board)

A FOB price excludes the cost of insurance and freight from the country of consignment but includes all charges up to the point of the exporting country's customs frontier.

Futures

Forward contracts traded on organised exchanges. They give the holder the right to purchase a commodity or a financial asset at a future date.

4 . G to H

Gilts

Bonds issued or guaranteed by the UK government. Also known as gilt-edged securities or British government securities.

Gold

The System of National Accounts (SNA) and the International Monetary Fund (IMF) (in the sixth edition of its Balance of Payments Manual) recognise three types of gold:

- monetary gold, treated as a financial asset
- gold held as a store of value, to be included in valuables
- gold as an industrial material, to be included in intermediate consumption or inventories

The present treatment is as follows.

In the accounts a distinction is drawn between gold held as a financial asset (financial gold) and gold held like any other commodity (commodity gold). Commodity gold in the form of finished manufactures together with net domestic and overseas transactions in gold moving into or out of finished manufactured form (as in, for example, jewellery, dentistry, electronic goods, medals and proof – but not bullion – coins) is recorded in exports and imports of goods.

All other transactions in gold (that is, those involving semi-manufactures, for example, rods and wire; or bullion, bullion coins or banking-type assets and liabilities denominated in gold, including official reserve assets) are treated as financial gold transactions and included in the financial account of the balance of payments.

The UK has adopted different treatment to avoid distortion of its trade in goods account by the substantial transactions of the London bullion market.

Grants

Voluntary transfer payments. They may be current or capital in nature. Grants from government or the European Union to producers are subsidies.

Gross

Main economic series can be shown as gross (as in, before deduction of the consumption of fixed capital) or net (as in, after deduction). Gross has this meaning throughout this publication unless otherwise stated.

Gross domestic product (GDP)

The total value of output in the economic territory. It is the balancing item on the production account for the whole economy. Domestic product can be measured gross or net. It is presented in the accounts at market (or purchasers’) prices.

Gross fixed capital formation (GFCF)

Acquisitions less disposals of fixed assets and the improvement of land.

Gross national disposable income

The income available to the residents arising from gross domestic product and receipts from, less payments to, the rest of the world of employment income, property income and current transfers.

Gross national income (GNI)

GNI is gross domestic product less net taxes on production and imports, less compensation of employees and property income payable to the rest of the world, plus the corresponding items receivable from the rest of the world.

Gross value added (GVA) (B.1g)

The value generated by any unit engaged in production and the contributions of individual sectors or industries to gross domestic product. It is measured at basic prices, excluding taxes less subsidies on products.

Holding companies

A holding company is a purely financial concern, which uses its capital solely to acquire interests (normally controlling interests) in a number of operating companies.

Although the purpose of a holding company is mainly to gain control and not to operate, it will typically have representation on the boards of directors of the operating firms.

Holding companies provide a means by which corporate control can become highly concentrated through pyramiding. A holding company may gain control over an operating company, which itself has several subsidiaries.

Holding gains or losses

Profit or loss obtained by virtue of the changing price of assets being held. Holding gains or losses may arise from either physical or financial assets.

Households (S.14)

Individuals or small groups of individuals as consumers and in some cases as entrepreneurs producing goods and market services (where such activities cannot be hived off and treated as those of a quasi-corporation).

5 . I to J

Imputation

The process of inventing a transaction where, although no money has changed hands, there has been a flow of goods or services. It is confined to a very small number of cases where a reasonably satisfactory basis for the assumed valuation is available.

Index-linked gilts

Gilts whose coupon and redemption value are linked to movements in the Retail Prices Index.

Institutional unit

Institutional units are the individual bodies whose data is amalgamated to form the sectors of the economy. A body is regarded as an institutional unit if it has decision-making autonomy in respect of its principal function and either keeps a complete set of accounts or is in a position to compile, if required, a complete set of accounts that would be meaningful from both an economic and a legal viewpoint.

Input-output

A detailed analytical framework based on supply and use tables. These are matrices showing the composition of output of individual industries by types of product and how the domestic and imported supply of goods and services is allocated between various intermediate and final uses, including exports.

Institutional sector

In the economic accounts the economy is split into different institutional sectors, that is, units grouped according broadly to their role in the economy. The main sectors are non-financial corporations, financial corporations, general government, and households and non-profit institutions serving households (NPISH). The rest of the world is also treated as a sector for many purposes within the accounts.

Intellectual property products (AN.112)

Intellectual property products include mineral exploration, computer software, research and development, and entertainment, literary or artistic originals. Expenditure on them is part of gross fixed capital formation. They exclude non-produced non-financial assets such as leases, transferable contracts and purchased goodwill, expenditure on which would be intermediate consumption.

Intermediate consumption

The consumption of goods and services in the production process. It may be contrasted with final consumption and capital formation.

International Monetary Fund (IMF)

A fund set up as a result of the Bretton Woods Conference in 1944, which began operations in 1947. It currently has 188 member countries (as of October 2014) including most of the major countries of the world. The fund was set up to supervise the fixed exchange rate system agreed at Bretton Woods and to make available to its members a pool of foreign exchange resources to assist them when they have balance of payments difficulties. It is funded by member countries' subscriptions according to agreed quotas.

Inventories

Inventories consist of finished goods (held by the producer prior to sale, further processing, or other use) and products (materials and fuel) acquired from other producers to be used for intermediate consumption, or resold without further processing, as well as military inventories.

6 . K to L

Kind-of-activity unit (KAU)

An enterprise, or part of an enterprise, that engages in only one kind of non-ancillary productive activity, or in which the principal productive activity accounts for most of the value added. Each enterprise consists of one or more kind-of-activity units.

Liability

A claim on an institutional unit by another body that gives rise to a payment or other transaction transferring assets to the other body. Conditional liabilities, where the transfer of assets only takes place under certain defined circumstances, are known as contingent liabilities.

Life assurance

An insurance policy that, in return for the payment of regular premiums, pays a lump sum on the death of the insured. In the case of policies limited to investments that have a cash value, in addition to life cover, a savings element provides benefits that are payable before death. In the UK, endowment assurance provides life cover or a maturity value after a specified term, whichever is sooner.

Liquidity

The ease with which a financial instrument can be exchanged for goods and services. Cash is very liquid whereas a life assurance policy is less so.

Lloyd’s of London

The international insurance and reinsurance market in London.

7 . M to N

Marketable securities

Securities that can be sold on the open market.

Market output

Output of goods and services sold at economically significant prices.

Merchant banks

Monetary financial institutions whose main business is primarily concerned with corporate finance and acquisitions.

Mixed income

The balancing item on the generation of income account for unincorporated businesses owned by households. The owner or members of the same household often provide unpaid labour inputs to the business. The surplus is therefore a mixture of remuneration for such labour and return to the owner as entrepreneur.

Monetary financial institutions (MFIs) (S.121 to S.123)

MFIs, as defined by the European Central Bank, consist of all institutional units included in the central bank (S. 121), deposit-taking corporations except the central bank (S1.22) and money market funds (S.123) sub-sectors.

Money market

The market in which short-term loans are made and short-term securities traded. “Short-term” usually applies to periods of under one year but can be longer in some instances.

NACE

The industrial classification used in the European Union. Revision 2 is the “Statistical classification of economic activities in the European Community in accordance with Commission Regulation (EC) No. 1893/2006 of 20th December 2006”.

National income

See gross national disposable income and real national disposable income.

Net

After deduction of the consumption of fixed capital. Also used in the context of financial accounts and balance sheets to denote, for example, assets less liabilities.

Non-market output

Output of own account production of goods and services provided free or at prices that are not economically significant. Non-market output is produced mainly by the general government and non-profit institutions serving households (NPISH) sectors.

Non-observed economy

Certain activities may be productive and also legal but are concealed from the authorities for various reasons – for example, to evade taxes or regulation. In principle these, as well as economic production that is illegal, are to be included in the accounts but they are by their nature difficult to measure.

Non-profit institutions serving households (NPISH) (S.15)

These include bodies such as charities, universities, churches, trade unions and members' clubs.

8 . O to P

Operating leasing

The conventional form of leasing, in which the lessee makes use of the leased asset for a period in return for a rental, while the asset remains on the balance sheet of the lessor. The leasing payments are part of the output of the lessor and the intermediate consumption of the lessee (see also financial leasing).

Operating surplus

The balance on the generation of income account. Households also have a mixed income balance. It may be seen as the surplus arising from the production of goods and services before taking into account flows of property income.

Ordinary share

The most common type of share in the ownership of a corporation. Holders of ordinary shares receive dividends (see also equity).

Output for own final use (P.12)

Production of output for final consumption or gross fixed capital formation by the producer. Also known as own-account production.

Own-account production

Production of output for final consumption or gross fixed capital formation by the producer. Also known as output for own final use.

Par value

A security's face or nominal value. Securities can be issued at a premium or discount to par.

Pension funds (S.129)

The institutions that administer pension schemes. Pension schemes are significant investors in securities. Self-administered funds are classified in the financial accounts as pension funds. Those managed by insurance companies are treated as long-term business of insurance companies.

Perpetual inventory model (or method) (PIM)

A method for estimating the level of assets held at a particular point in time by accumulating the acquisitions of such assets over a period and subtracting the disposals of assets over that period. Adjustments are made for price changes over the period. The PIM is used in the UK accounts to estimate the stock of fixed capital and hence the value of the consumption of fixed capital.

Portfolio

A list of the securities owned by a single investor. In the balance of payments statistics, portfolio investment is investment in securities that does not qualify as direct investment.

Preference share

This type of share guarantees its holder a prior claim on dividends. The dividend paid to preference share holders is normally more than that paid to holders of ordinary shares. Preference shares may give the holder a right to a share in the ownership of the company (participating preference shares). However, in the UK they usually do not and are therefore classified as bonds (F.3).

Prices

See economically significant prices, basic prices, purchasers' prices.

Principal

The lump sum that is lent under a loan or a bond.

Production boundary

Boundary between production included in creating core economic accounts (such as all economic activity by industry and commerce) and production that is excluded (such as production by households that is consumed within the household).

Promissory note

A security that entitles the bearer to receive cash. These may be issued by companies or other institutions (see commercial paper).

Property income

Incomes that accrue from lending or renting financial or tangible non-produced assets, including land, to other units. See also tangible assets.

Public corporations (S.11001 and S.12001)

These are public trading bodies that have a substantial degree of financial independence from the public authority that created them. A body is normally treated as a trading body when more than half of its income is financed by fees. A public corporation is publicly controlled to the extent that the public authorities appoint a majority of the board of management, or when public authorities can exert significant control over general corporate policy through other means. Since the 1980s, many public corporations, such as British Telecom, have been privatised and reclassified within the accounts as private non-financial corporations. Public corporations can also exist in the financial sector.

Public sector

Central government, local authorities and general government.

Purchasers' prices

These are the prices paid by purchasers. They include transport costs, trade margins and taxes (unless the taxes are deductible by the purchaser from their own tax liabilities).

9 . Q to R

Quasi-corporations

Unincorporated enterprises that function as if they were corporations. For the purposes of allocation to sectors and sub-sectors they are treated as if they were corporations, that is, separate units from those to which they legally belong.

Three main types of quasi-corporation are recognised in the accounts:

- unincorporated enterprises owned by government that are engaged in market production
- unincorporated enterprises (including partnerships) owned by households
- unincorporated enterprises owned by foreign residents

The last group consists of permanent branches or offices of foreign enterprises and production units of foreign enterprises that engage in significant amounts of production in the territory over long or indefinite periods of time.

Real national disposable income (RNDI)

Gross national disposable income adjusted for changes in prices and in the terms of trade.

Related companies

Branches, subsidiaries, associates or parents.

Related import or export credit

Trade credit between related companies, included in direct investment.

Rental

The amount payable by the user of a fixed asset to its owner for the right to use that asset in production for a specified period of time. It is included in the output of the owner and the intermediate consumption of the user.

Rents (D.45)

The property income derived from land and sub-soil assets. It should be distinguished in the current system from rental income derived from buildings and other fixed assets, which is included in output (P.1).

Repurchase agreement (repo)/reverse repo

This is short for “sale and repurchase agreement”. One party agrees to sell bonds or other financial instruments to other parties under a formal legal agreement to repurchase them at some point in the future – usually up to six months – at a fixed price. Reverse repos are the counterpart asset to any repo liability.

Repo or reverse repo transactions are generally treated as borrowing or lending within other investment, rather than as transactions in the underlying securities. The exception is for banks, where repos are recorded as deposit liabilities. Banks' reverse repos are recorded as loans, the same as for all other sectors. Legal ownership does not change under a “repo” agreement. It was previously treated as a change of ownership in the UK financial account but under the System of National Accounts is treated as a collateralised deposit (F.22).

Reserve assets

Short-term assets that can be very quickly converted into cash. They comprise the UK's official holdings of gold, convertible currencies, special drawing rights and changes in the UK reserve position in the International Monetary Fund (IMF). Also included between July 1979 and December 1998 are European Currency Units acquired from swaps with the European Co-operation Fund, European Monetary Institute (EMI) and the European Central Bank (ECB).

Residents

These comprise general government, individuals, private non-profit-making bodies serving households, and enterprises within the territory of a given economy.

Residual error

The term used in the former accounts for the difference between the measures of gross domestic product from the expenditure and income approaches.

Resources and uses

The term resources refers to the side of the current accounts where transactions that add to the amount of economic value of a unit or sector appear. For example, wages and salaries are a resource for the unit or sector receiving them. Resources are by convention put on the right side, or at the top of tables arranged vertically. The left side (or bottom section) of the accounts, which relates to transactions that reduce the amount of economic value of a unit or sector, is termed uses. To continue the example, wages and salaries are a use for the unit or sector that must pay them.

Rest of the world

This sector records the counterpart of transactions of the whole economy with non-residents.

10 . S to T

Satellite accounts

Satellite accounts describe areas or activities not dealt with by core economic accounts. These areas or activities are considered to require too much detail for inclusion in the core accounts or they operate with a different conceptual framework. Internal satellite accounts re-present information within the production boundary. External satellite accounts present new information not covered by the core accounts.

Saving (B.8g)

The balance on the use of income account. It is that part of disposable income that is not spent on final consumption and may be positive or negative.

Secondary market

A market in which holders of financial instruments can re-sell all or part of their holding. The larger and more effective the secondary market for any particular financial instrument the more liquid that instrument is to the holder.

Sector

See institutional sector.

Securities

Tradable or potentially tradable financial instruments.

Standard Industrial Classification (SIC)

The industrial classification applied to the collection and publication of a wide range of economic statistics. The current version, SIC 2007, is consistent with NACE, revision 2. See the NACE section of the glossary for further details.

System of National Accounts (SNA)

The internationally agreed standard system for macroeconomic accounts. The latest version is described in System of National Accounts 2008.

Special drawing rights (SDRs) (F.12)

These are reserve assets created and distributed by decision of the members of the International Monetary Fund (IMF). Participants accept an obligation to provide convertible currency to another participant, when designated by the IMF to do so, in exchange for SDRs equivalent to three times their own allocation. Only countries with a sufficiently strong balance of payments are so designated by the IMF. SDRs may also be used in certain direct payments between participants in the scheme and for payments of various kinds to the IMF.

Special purpose entities (SPEs)

SPEs are generally organised or established in economies other than those in which the parent companies are resident; and engaged primarily in international transactions but in few or no local operations.

SPEs are defined either by their structure (for example, financing subsidiary, holding company, base company, regional headquarters), or their purpose (for example, sale and regional administration, management of foreign exchange risk, facilitation of financing of investment).

SPEs should be treated as direct investment enterprises if they meet the 10% criterion. SPEs are an integral part of direct investment networks as are, for the most part, SPE transactions with other members of the group.

Staged payments

See advance and progress payments.

Standardised guarantees

Standardised guarantees are normally issued in large numbers, usually for fairly small amounts, along identical lines. There are three parties involved in these arrangements; the debtor, the creditor and the guarantor. Either the debtor or creditor may contract with the guarantor to repay the creditor if the debtor defaults. The classic examples are export credit guarantees and student loan guarantees.

Subsidiaries

Companies owned or controlled by another company. Under Section 1159 of the Companies Act (2006) this means, broadly speaking, that another company either holds a majority of the voting rights in it, is a member of it and has the right to appoint or remove a majority of its board of directors, or is a member of it and controls alone (pursuant to an agreement with other members) a majority of the voting rights in it. The category also includes subsidiaries of subsidiaries.

Subsidies (D.3)

Current unrequited payments made by general government or the European Union to enterprises. Those made on the basis of a quantity or value of goods or services are classified as “subsidies on products” (D.31). Other subsidies based on levels of productive activity (for example, numbers employed) are designated “other subsidies on production” (D.39).

Suppliers' credit

Export credit extended overseas directly by UK firms other than to related concerns.

Supply table

Table of estimates of domestic industries' output by type of product. Compiled at basic prices and includes columns for imports of goods and services, for distributors' trading margins and for taxes less subsidies on products. The final column shows the value of the supply of goods and services at purchasers' prices. This table shows which industries make which products; columns represent the supplying industries, rows represent the products supplied.

Taxes

Compulsory unrequited transfers to central or local government or the European Union. Taxation is classified in the following main groups:

- taxes on production and imports (D.2)
- current taxes on income wealth and so on (D.5)
- capital taxes (D.91)

Technical reserves (of insurance companies) (F.61)

These reserves consist of pre-paid premiums, reserves against outstanding claims, actuarial reserves for life insurance and reserves for with-profit insurance. They are treated in the economic accounts as the property of policy-holders.

Terms of trade

Ratio of the change in export prices to the change in import prices. An increase in the terms of trade implies that the receipts from the same quantity of exports will finance an increased volume of imports, so measurement of real national disposable income needs to take account of this factor.

Transfers

Unrequited payments made by one unit to another. They may be current transfers (D.5 to 7) or capital transfers (D.9). The most important types of transfers are taxes, social contributions and benefits.

Treasury bills

Short-term securities or promissory notes that are issued by government in return for funding from the money market. Each week in the UK, the Bank of England invites tenders for sterling Treasury bills from the financial institutions operating in the market. European currency unit (ECU) or euro-denominated bills were issued by tender each month but this programme has now wound down; the last bill was redeemed in September 1999. Treasury bills are an important form of short-term borrowing for the government, generally being issued for periods of three or six months.

11 . U to Z

Unit trusts

Institutions within sub-sector S.123 through which investors pool their funds to invest in a diversified portfolio of securities.

Individual investors purchase units in the fund representing an ownership interest in the large pool of underlying assets, giving them an equity stake. The selection of assets is made by professional fund managers. Unit trusts therefore give individual investors the opportunity to invest in a diversified and professionally managed portfolio of securities, without the need for detailed knowledge of the individual companies issuing the stocks and bonds.

They differ from investment trusts in that the latter are companies in which investors trade shares on the Stock Exchange, whereas unit trust units are issued and bought back on demand by the managers of the trust. The prices of unit trust units therefore reflect the value of the underlying pool of securities, whereas the price of shares in investment trusts are affected by the usual market forces.

Uses

See resources and uses.

Use table

See combined use table.

United Kingdom (UK)

Broadly, in the accounts, the UK comprises Great Britain plus Northern Ireland and that part of the continental shelf deemed by international convention to belong to the UK. It excludes the Channel Islands and the Isle of Man.

Valuables

Goods of considerable value that are not used primarily for production or consumption but are held as stores of value over time, for example, precious metals, precious stones, jewellery and works of art.

Valuation

See basic prices, purchasers’ prices, factor cost.

Value added

The balance on the production account: output less intermediate consumption. Value added may be measured net or gross.

Value Added Tax (VAT) (D.211)

A tax paid by enterprises. In broad terms an enterprise is liable for VAT on the total of its taxable sales but may deduct tax already paid by suppliers on its inputs (intermediate consumption). Therefore, the tax is effectively on the value added by the enterprise. Where the enterprise cannot deduct tax on its inputs the tax is referred to as non-deductible. VAT is the main UK tax on products (D.21).

Compendium

Background notes

Information about the compilation of the latest national accounts including quality and reliability issues.

Contact:
Rob Kent-Smith
gdp@ons.gsi.gov.uk
+44 (0)1633 651618

Release date:
31 October 2017

Next release:
31 July 2018

Table of contents

1 . What do you think?

We welcome your feedback on this publication. If you would like to get in touch, please contact us via email: blue.book.coordination@ons.gsi.gov.uk.

2 . Release policy

This release includes data up to 2016. Data are consistent with Index of Production, published on 10 October 2017, the current price trade in goods data within UK trade, published on 10 October 2017 and Balance of Payments, Quarterly National Accounts and United Kingdom Economic Accounts, published on 29 September 2017.

3 . National Accounts Work Plan

The Economic Statistics and Analysis Strategy (ESAS) is reviewed and updated annually in the light of changing needs and priorities, and availability of resources. Making explicit ONS's perceived priorities will allow greater scrutiny and assurance that these are the right ones. In addition, this ESAS will allow research and development priorities to be laid out, making it easier for external experts to see the areas where ONS would be particularly keen to collaborate.

4 . Continuous improvement of sources, methods and communication

Prior to publication, we published a series of articles detailing the changes and the impact they would have within Blue Book 2017; these can be found on the National Accounts articles page on our website. This includes supplementary analyses of data to help with the interpretation of statistics and guidance on the methodology used to produce the national accounts.

5 . National accounts classification decisions

The UK national accounts are produced under internationally agreed guidance and rules set out principally in the European System of Accounts (ESA 2010) and the accompanying Manual on Government Deficit and Debt-Implementation of ESA 2010 – 2016 edition (MGDD).

In the UK, we are responsible for the application and interpretation of these rules. Therefore we make classification decisions based upon the agreed guidance and rules.

6 . Economic context

We publish the monthly Economic Commentary, giving economic commentary on the latest GDP estimate and our other economic releases. The next article will be published on 23 November 2017.

7 . Important quality issues

Common pitfalls in interpreting series:

- expectations of accuracy and reliability in early estimates are often too high
- revisions are an inevitable consequence of the trade-off between timeliness and accuracy
- early estimates are based on incomplete data

Very few statistical revisions arise as a result of “errors” in the popular sense of the word. All estimates, by definition, are subject to statistical “error”. In this context the word refers to the uncertainty inherent in any process or calculation that uses sampling, estimation or modelling. Most revisions reflect either the adoption of new statistical techniques or the incorporation of new information which allows the statistical error of previous estimates to be reduced. Only rarely are there avoidable “errors”, such as human or system failures, and such mistakes are made quite clear when they do occur.

7.1 The quality of Blue Book estimates

Unlike many of the short-term indicators we publish, there is no simple way of measuring the accuracy of the Blue Book dataset. All estimates, by definition, are subject to statistical uncertainty and for many well-established statistics we measure and publish the sampling error and non-sampling error associated with the estimate, using this as an indicator of accuracy. Since sampling is typically done to determine the characteristics of a whole population, the difference between the sample and population values is considered a sampling error. Non-sampling errors are a result of deviations from the true value that are not a function of the sample chosen, including various systematic errors and any other errors that are not due to sampling.

The Blue Book dataset, however, is currently constructed from various data sources, some of which are not based on random samples or do not have published sampling and non-sampling errors available, making it very difficult to measure both error aspects and their impact on GDP. While development work continues in this area, like all other G7 national statistical institutes, we don't publish a measure of the sampling error or non-sampling error associated with this dataset.

8 . Reliability

Estimates for the most recent quarters are provisional and are subject to revision in the light of updated source information. We currently provide an analysis of past revisions in the GDP and other statistical bulletins that present time series.

Our revisions to economic statistics page brings together our work on revisions analysis, linking to articles and revisions policies. Revisions to data provide one indication of the reliability of main indicators.

9 . Further information

You can get the latest copies of this and all our other releases through the release calendar on our website.

Details of the policy governing the release of new data are available from the media relations office.

We are committed to ensuring that all information provided is kept strictly confidential and will only be used for statistical purposes. Further details regarding confidentiality can be found on our website in the respondent charters for businesses and households.

10 . Code of practice

National Statistics are produced to high professional standards set out in the UK Statistics Authority's Code of Practice for Official Statistics. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference.