

Statistical bulletin

# Non-financial business economy, UK (Annual Business Survey): 2016 revised results

Size and growth within the UK's non-financial business sectors: non-financial services, distribution, production, construction and agriculture.



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# 1 . Main points

- In 2016, the approximate gross value added at basic prices (aGVA) of the UK non-financial business economy was estimated to be £1,193.2 billion; this was an increase of 3.6% (£41.5 billion) compared with 2015.
- The estimate of aGVA represents the income (turnover) of UK businesses, less the cost of goods and services consumed in the production process (purchases); all four of the main sectors of the non-financial business economy (production, construction, distribution and non-financial services) continued to show growth in 2016.
- The non-financial services sector, which accounted for over half (56.1%) of total aGVA in 2016, saw an increase of 2.8% (£18.5 billion); information and communication services provided the highest levels of aGVA within this sector, increasing by £7.2 billion in 2016.
- The level of total turnover increased between 2015 and 2016 by 3.3% (£112.7 billion); all four sectors showed growth in turnover, with distribution experiencing the largest increase of 4.9% (£59.6 billion).
- The total level of purchases increased by 3.2% (£71.5 billion) in 2016 compared with 2015; again, all four sectors showed an increase in growth, with the largest change in distribution of 4.2% (£41.8 billion).

## 2 . Things you need to know about this release

Users should note that the date of this release has been brought forward from a publication date of June each year. Work has also been carried out to ensure that the regional publication is released on the same day, which is an improvement from the historic July publication date each year. Bringing forward the release dates means that data are consistent with data used within the annual supply use balancing process.

The Annual Business Survey (ABS) covers only the UK non-financial business economy, which accounts for approximately two-thirds of the UK economy in terms of gross value added. The industries covered are:

- non-financial services (includes professional, scientific, communication, administrative, transport, accommodation and food, private health and education, and entertainment services)
- distribution (includes retail, wholesale and motor trades)
- production (includes manufacturing, oil and gas extraction, energy generation and supply, and water and waste management)
- construction (includes civil engineering, house building, property development and specialised construction trades such as plumbers, electricians and plasterers)
- parts of agriculture (includes agricultural support services and hunting), forestry and fishing

Please note that non-financial services excludes public administration and defence, public provision of education and health, all medical and dental practice activities and finance and insurance.

Estimates published in this release include turnover, purchases, approximate gross value added (aGVA), and employment costs. An overview of aGVA and a comparison of ABS and national accounts measures of value added can be found in the articles [What is aGVA?](#) and [A Comparison between ABS and National Accounts Measures of Value Added \(PDF, 462.3KB\)](#). All data are reported at current prices so no adjustments have been made to account for the effects of inflation.

The estimates contained in this release include a comparison between 2015 and 2016 based on an extended Office for National Statistics (ONS) business survey population. This follows on from the [provisional data](#) released on 9 November 2017. The ONS population was expanded in 2015 to include approximately 92,000 solely Pay As You Earn (PAYE)-based businesses. This led to an increase in the number of businesses in the overall population of approximately 4%. Nearly all of these businesses (99.3%) were in employment size-band one (zero to nine employees) and nearly half of them were in the non-financial services sector.

Within the ABS, the new population was used for the first time in 2016. New estimates for 2015 were therefore calculated to assess the year-on-year impact of the inclusion of these additional businesses. An [impact article and corresponding reference tables showing the new 2015 estimates](#) were published on Friday 20 October 2017. All estimates and commentary within this release are based on comparisons between 2016 and the new estimates for 2015, both of which include PAYE-based businesses. In 2015, these businesses increased the level of turnover by 0.4% and aGVA by 0.8%. Corresponding data tables will be provided for 2015 on both bases, however, no special analyses can be provided for the new 2015 estimates due to the process used in calculating the data. To support user understanding, PAYE-based businesses have been added retrospectively at an aggregate level for 2015, this has limited the low-level microdata analysis that is possible.

Users should also note that a sample re-optimisation has been included in the estimates for 2016. This is carried out every five years to improve the efficiency of the sample estimation and reduce sampling variability as part of the regular process to improve estimates. This discontinuity should also be considered when comparing estimates for 2015 with 2016.

Outputs in this release are produced after extensive quality assurance, once business returns have been provided or revised. The estimates for 2017 will be published in November 2018.

## Revisions

ABS estimates are subject to revisions for the previous years data in 2015. Estimates in this release show revisions for the UK non-financial business economy compared with the previous release in November 2017. There was a downward revision of £7.9 billion (0.3)% in aGVA.

## 3 . What is the overall picture in 2016?

In 2016, approximate gross value added (aGVA) of the UK non-financial business economy was estimated to be £1,193.2 billion. This was an increase of 3.6% (£41.5 billion) in 2016 compared with 2015.

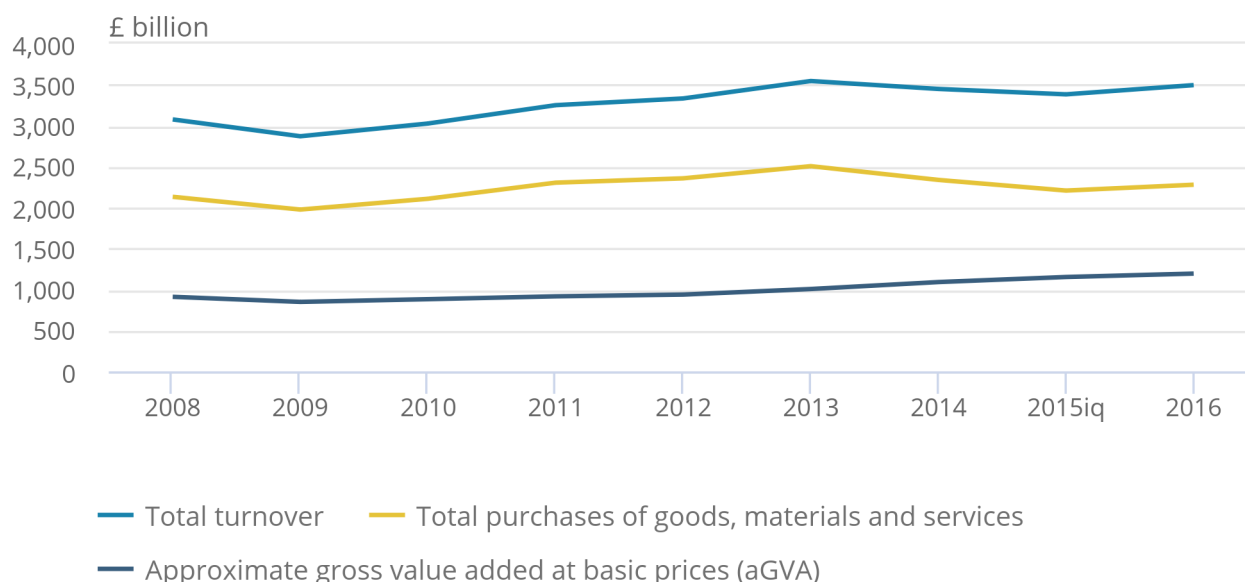
The main components of aGVA are turnover and purchases. Turnover increased by 3.3% (£112.7 billion) in 2016 compared with 2015 and purchases increased by 3.2% (£71.5 billion). The higher levels of turnover led to the increase in the level of aGVA. Figure 1 shows the levels of total turnover, purchases and aGVA from 2008 to 2016.

**Figure 1: UK non-financial business economy<sup>1</sup>, turnover, purchases and resulting approximate gross value added**

2008 to 2016

Figure 1: UK non-financial business economy<sup>1</sup>, turnover, purchases and resulting approximate gross value added

2008 to 2016



**Source: Office for National Statistics**

**Notes:**

1. UK non-financial business economy excludes: crop and animal production; financial and insurance; public administration and defence; public provision of education; public provision of health and all medical and dental practice activities.

Figure 1 shows that both turnover and purchases fell during the 2008 to 2009 economic downturn, and following this period, both followed a similar pattern of increase until 2013. Between 2013 and 2015, the level of purchases declined to a greater extent than turnover, resulting in increases in aGVA. Between 2015 and 2016, turnover and purchases both saw rises, however, purchases increased to a lesser extent than turnover, resulting in an increase in aGVA.

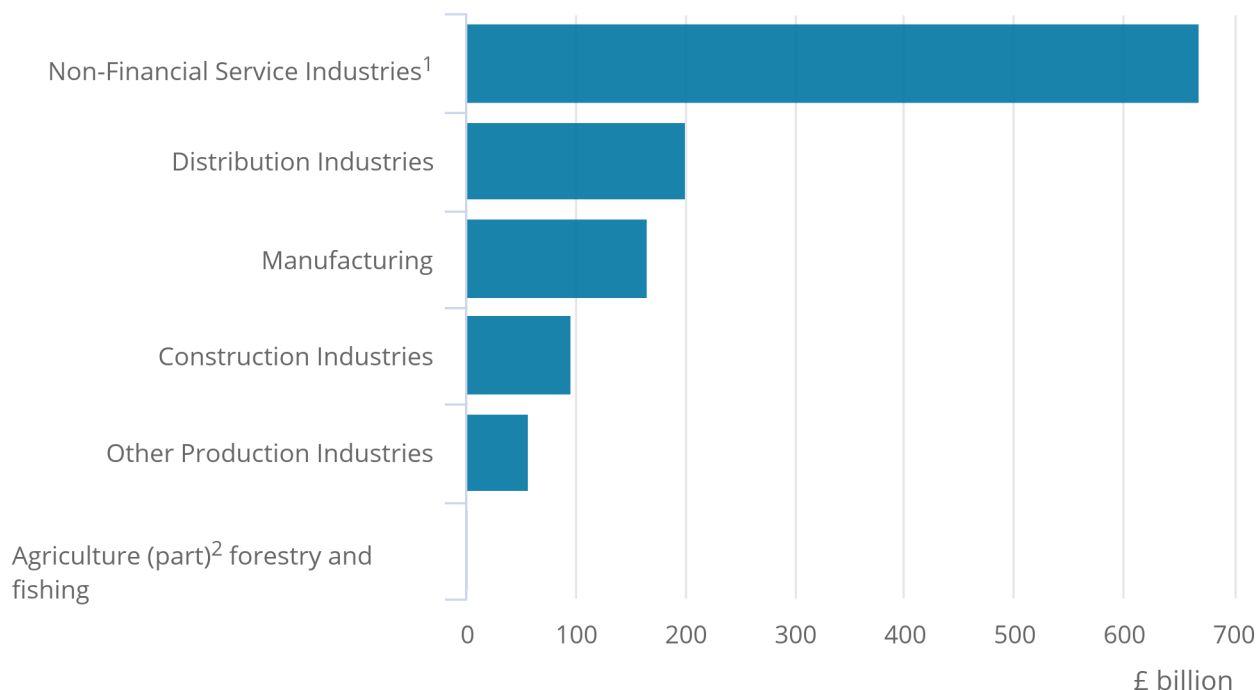
The level of aGVA increased within each of the four main sectors of the economy in 2016; that is, production, construction, distribution and non-financial services. Figure 2 shows that the non-financial services sector was the largest component of the UK non-financial business economy, accounting for £669.5 billion of total aGVA in 2016 (56.1%).

**Figure 2: UK non-financial business economy<sup>1</sup>, approximate gross value added by sector**

2016

Figure 2: UK non-financial business economy<sup>1</sup>, approximate gross value added by sector

2016



**Source: Office for National Statistics**

**Notes:**

1. Excludes financial and insurance; public administration and defence; public provision of education; public provision of health and all medical and dental practice activities.
2. Agriculture (part: excluding crop and animal production), forestry and fishing data are excluded from the line charts as the values are negligible on a comparable scale.

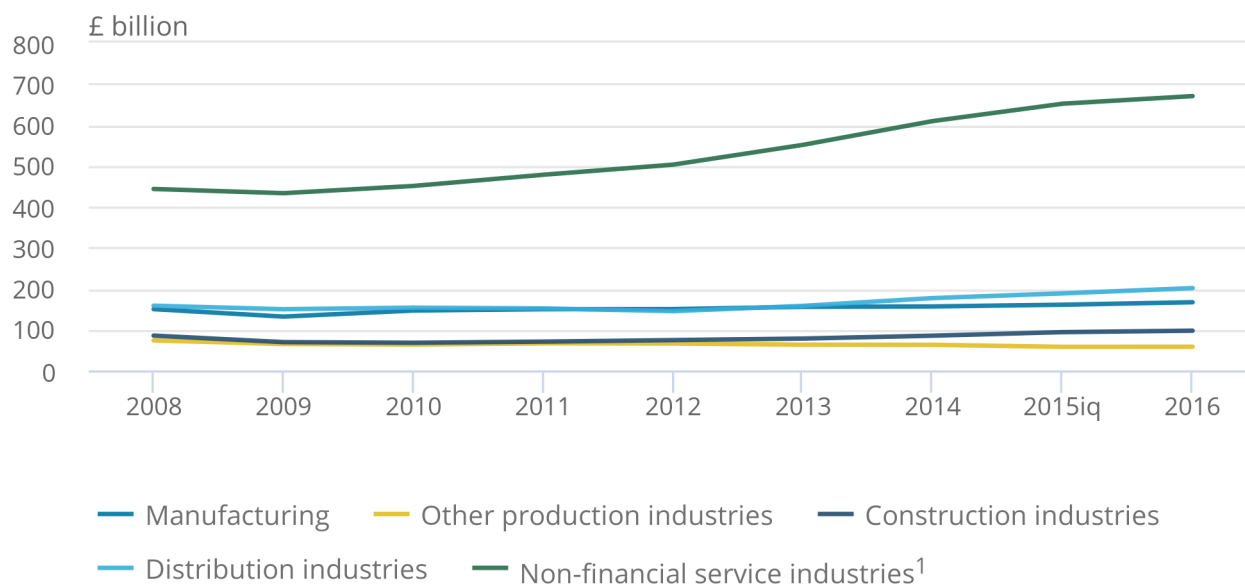
For each of the four main sectors, aGVA continued to increase, with non-financial services showing the highest levels of growth. Figure 3 shows how growth in aGVA has grown slowly in other sectors of the economy compared with non-financial services, which has grown rapidly over the period.

**Figure 3: UK non-financial business economy<sup>1</sup>, approximate gross value added by sector**

2008 to 2016

Figure 3: UK non-financial business economy<sup>1</sup>, approximate gross value added by sector

2008 to 2016



Source: Office for National Statistics

Notes:

1. Excludes financial and insurance; public administration and defence; public provision of education; public provision of health and all medical and dental practice activities.
2. Agriculture (part: excluding crop and animal production), forestry and fishing data are excluded from the line charts as the values are negligible on a comparable scale.

## 4 . Non-financial services continued to show strength

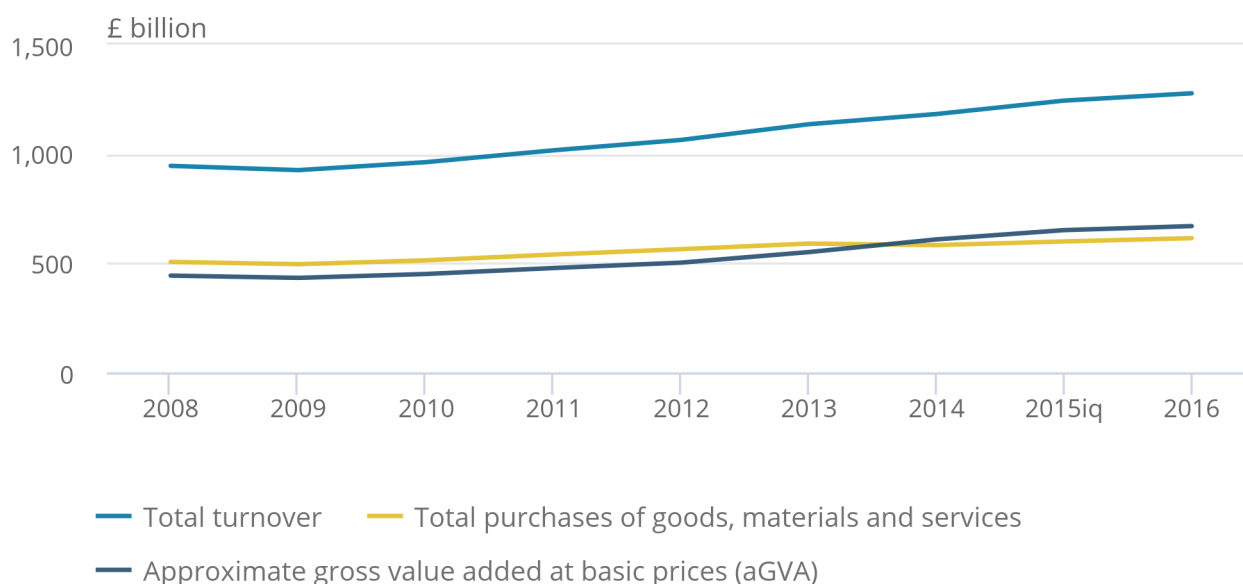
Between 2015 and 2016, approximate gross value added (aGVA) for the non-financial services sector increased by 2.8%. Following the period of the economic downturn in 2008 to 2009, this is the seventh consecutive year of growth in aGVA for this sector.

**Figure 4: Non-financial services<sup>1</sup>, turnover, purchases and resulting approximate gross value added**

UK, 2008 to 2016

Figure 4: Non-financial services<sup>1</sup>, turnover, purchases and resulting approximate gross value added

UK, 2008 to 2016



Source: Office for National Statistics

**Notes:**

1. Non-financial services excludes: financial and insurance, public administration and defence, public provision of education, public provision of health and all medical and dental practice activities.
2. Excludes public provision of education, public provision of health and all medical and dental practice activities.

Figure 4 shows that between 2009 and 2016, the level of turnover in non-financial services grew by 38.0%. The level of purchases followed a similar pattern in growth until 2013 but has remained relatively flat in more recent years. Overall, purchases increased by 24.1% since 2009 but the lower increase than seen in turnover has resulted in a 54.8% increase in the level of aGVA over the period.

## 5 . Growth in professional, scientific and technical services

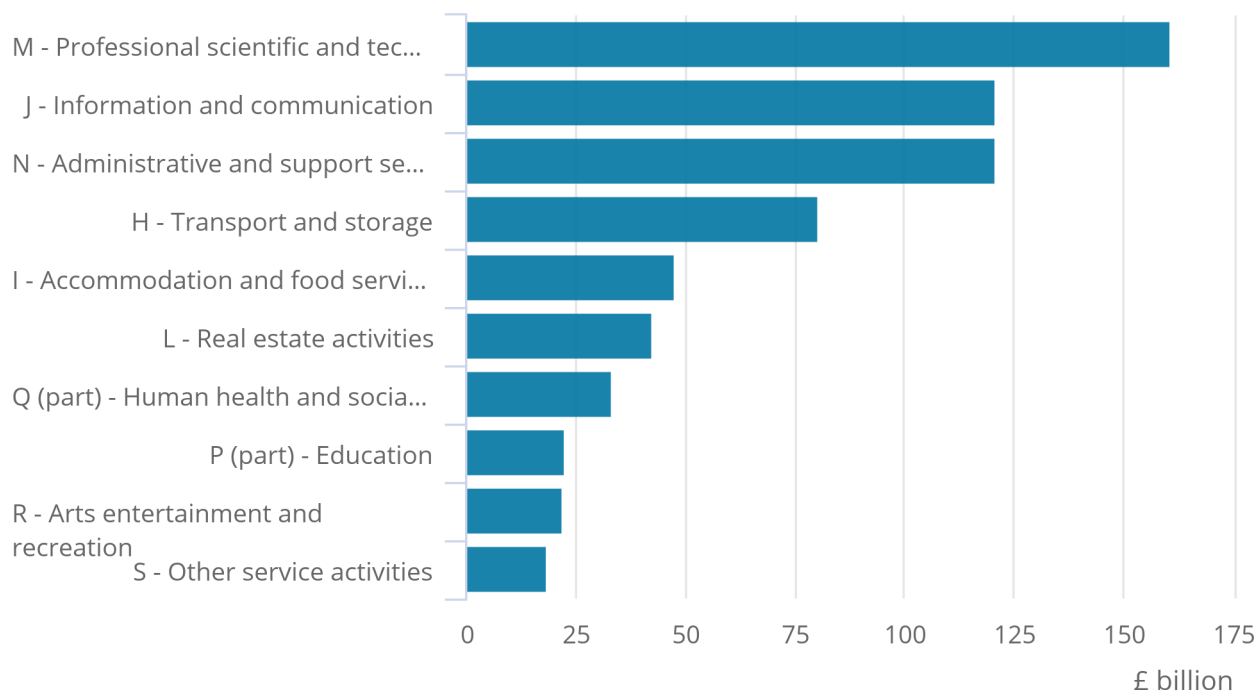
Figure 5 shows the contributions from all sections within the non-financial services sector. The largest contribution to the overall level of approximate gross value added comes from professional, scientific and technical services (section M), closely followed by information and communication (section J), and administrative and support services (section N).

**Figure 5: Non-financial services<sup>1</sup>, approximate gross value added by section**

UK, 2016

**Figure 5: Non-financial services<sup>1</sup>, approximate gross value added by section**

UK, 2016



**Source: Office for National Statistics**

**Notes:**

1. Standard Industrial Classification (revised 2007) include the sections: H - Transport and storage; I - Accommodation and food service activities; J - Information and communication; L - Real estate activities; M - Professional, scientific and technical activities; N - Administrative and support service activities; P (part) - Education; Q - (part) Human health and social work activities; R - Arts, entertainment and recreation; and S - Other service activities.
2. Excludes financial and insurance, public administration and defence, public provision of education, public provision of health and all medical and dental practice activities.

Figure 6 shows growth in aGVA since 2008 for the three largest contributors to non-financial services; that is, sections M, J and N. In 2016, these sections accounted for 60.1% (£402.5 billion) of total aGVA in the non-financial services sector.



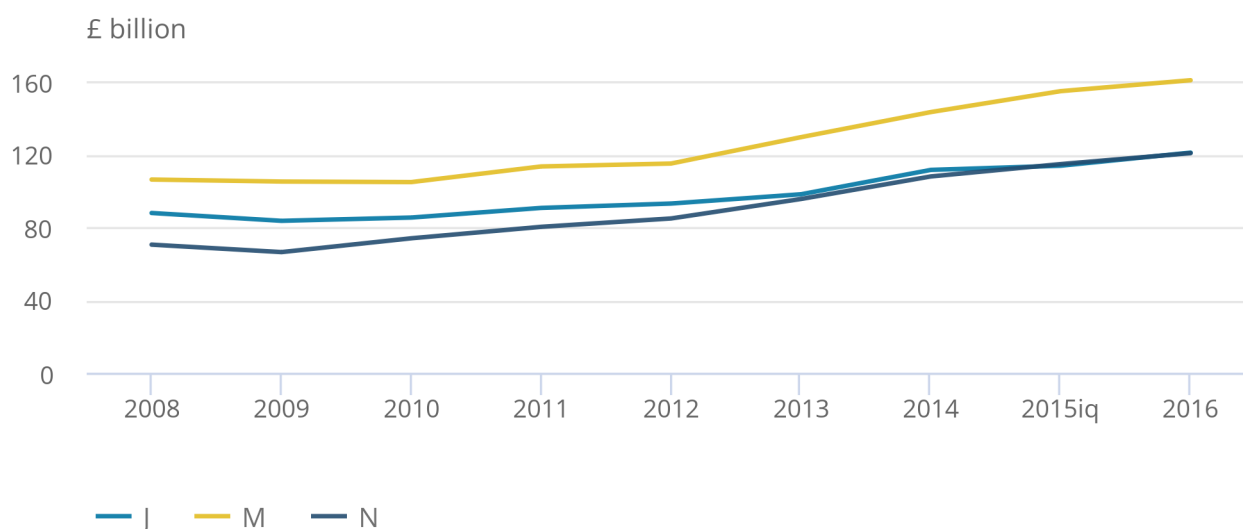
As the largest contributor to the total, section M – professional, scientific and technical services showed an increase in growth of aGVA of 3.9% (£6.0 billion) in 2016 compared with 2015. Within this section, turnover increased by 4.3% (£11.2 billion) and purchases increased by 5.2% (£5.5 billion) over the same period. Section M covers a range of industries from legal and accounting activities to advertising and market research, and veterinary activities.

**Figure 6: Non-financial services<sup>1</sup>, approximate gross value added by largest contributing sections**

UK, 2008 to 2016

Figure 6: Non-financial services<sup>1</sup>, approximate gross value added by largest contributing sections

UK, 2008 to 2016



Source: Office for National Statistics

Notes:

1. Standard Industrial Classification (revised 2007) include the sections: J - Information and communication; M - Professional, scientific and technical activities; and N - Administrative and support service activities.

## 6 . What do the other sectors show?

### Production

The production sector in 2016 contributed £223.9 billion to overall approximate gross value added (aGVA) of £1,193.2 billion for the UK non-financial business economy. The levels of both turnover and purchases increased between 2015 and 2016; turnover by 1.3% (£9.0 billion) and purchases by 2.0% (£9.0 billion).

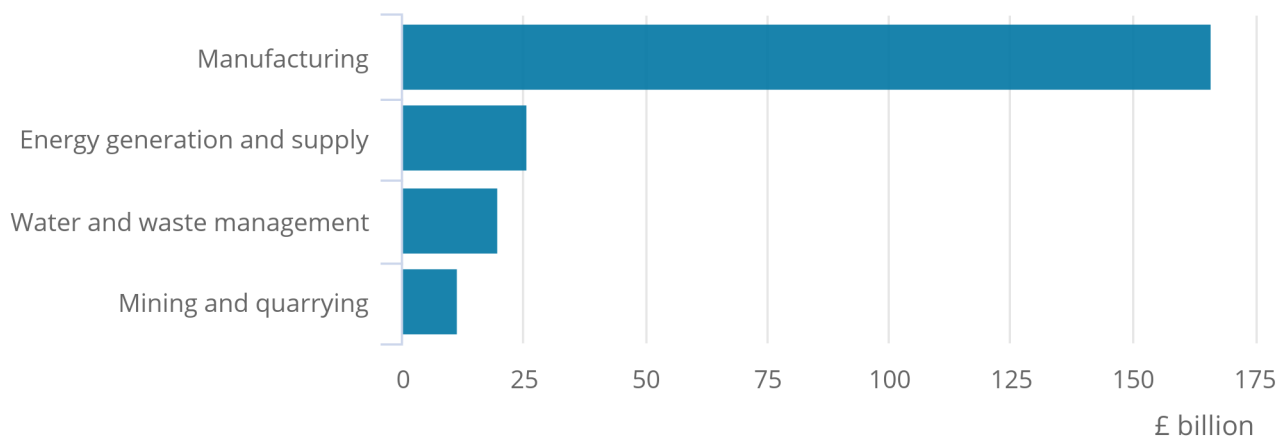
Figure 7 shows the four sections that make up the production sector. Manufacturing was the largest component, accounting for nearly three-quarters of total production aGVA in 2016. In 2016, aGVA in manufacturing increased by 3.8% (£6.1 billion). Turnover increased by 2.4% (£12.1 billion) and purchases increased by 3.7% (£12.4 billion).

**Figure 7: Production, approximate gross value added by section**

UK, 2016

Figure 7: Production, approximate gross value added by section

UK, 2016



Source: Office for National Statistics

## Distribution

Distribution saw a rise in aGVA of 6.9% (£13.0 billion) between 2015 and 2016; there was an increase in turnover of 4.9% (£59.6 billion) whilst purchases increased by a lesser amount of 4.2% (£41.8 billion). The level of aGVA is now the highest on record.

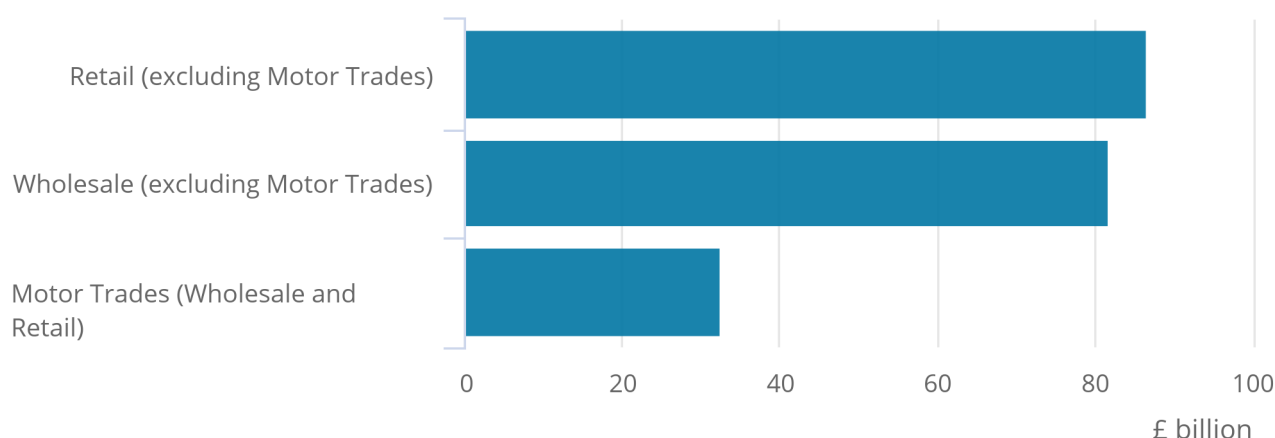
Figure 8 shows that within distribution, retail was the largest component, accounting for 43.2% of the total aGVA in the distribution sector in 2016; this was closely followed by wholesale (40.7%).

**Figure 8: Distribution, approximate gross value added by division**

UK, 2016

Figure 8: Distribution, approximate gross value added by division

UK, 2016



Source: Office for National Statistics

Between 2015 and 2016, retail saw an increase in aGVA of 0.5% (£0.5 billion). Turnover increased by 2.4% (£8.9 billion) and purchases increased by 2.6% (£7.5 billion). Since 2008, retail aGVA has grown to its highest level.

Wholesale shows a turnover increase of 5.9% (£38.0 billion) in 2016 compared with 2015. Purchases experienced a rise of 4.4% (£24.2 billion), which led to an overall increase in aGVA of 16.0% (£11.2 billion).

The levels in both turnover and purchases for wholesale have shown volatility since 2008, with aGVA decreasing sharply in the years following the 2008 to 2009 economic downturn to its lowest level in 2012. Since this period, however, aGVA continued to grow and is now at its highest level over the period. The level of purchases is at its lowest level in comparison; this could potentially be impacted by the fall in prices of important commodities, such as oil.

## Construction

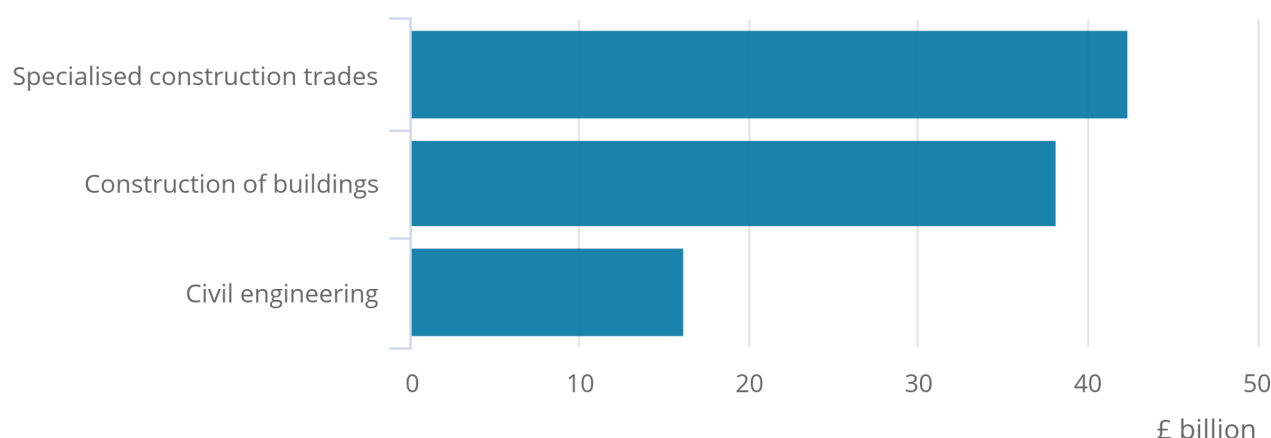
Between 2015 and 2016, construction turnover increased by 4.3% (£10.4 billion), while purchases increased by 3.6% (£5.5 billion). As a result, aGVA increased by 3.8% (£3.5 billion); this was the sixth consecutive year of growth in aGVA for this sector.

**Figure 9: Construction, approximate gross value added by division**

UK, 2016

Figure 9: Construction, approximate gross value added by division

UK, 2016



Source: Office for National Statistics

Figure 9 shows that specialised construction trades provided the largest contribution to total aGVA in the construction sector, followed closely by construction of buildings. This covers a broad area including demolition, and electrical, plumbing and other construction installation activities.

## Agriculture (part), forestry and fishing

The Annual Business Survey (ABS) covers only hunting, forestry, fishing and the support activities to agriculture. This part of agriculture showed an increase in turnover of 3.5% (£156 million) and an increase in purchases of 2.5% (£67 million) in 2016 compared with 2015. This led to an increase in aGVA of 8.6% (£169 million) over the same period.

Comparable GVA figures for the rest of agriculture (which includes crop and animal production) are available in Chapter 3 (Table 3.2) of the [Agriculture in the United Kingdom](#) release, published annually by the Department for Environment, Food and Rural Affairs (DEFRA), and show a provisional value of £8,196 million for 2016. As agriculture has a very small contribution to total aGVA, the values quoted in this section are in pounds millions.

## 7 . Links to related statistics

The share of the [total value of gross value added at factor costs \(aGVA\) in the business economy for each EU-28 member state](#) is available. These estimates are currently based on the latest data available for 2015. The UK makes the second-largest contribution with 20.0% of total EU aGVA. Germany accounts for 22.3% and France is the only other member state comprising more than 10.0% (13.0%) of EU business economy aGVA. These data will be updated by Eurostat in the future based on 2016 returns.

## 8 . Upcoming changes to this bulletin

For the publication of the Annual Business Survey (ABS) 2017 inquiry onwards, this bulletin will form part of a combined ABS release of both the UK and regional data. The first release of the combined bulletin is anticipated to be around April to May 2019.

## 9 . Quality and methodology

The [Annual Business Survey \(ABS\) Quality and Methodology Information report](#) contains important information on:

- the strengths and limitations of the data and how it compares with related data
- uses and users of the data
- how the output was created
- the quality of the output including the accuracy of the data

You will also find detailed information on the methods used in the calculation of the ABS in the A [BS Technical Report](#) (PDF, 1.6MB) published on the [ABS methodology page](#).