

Compendium

# An introduction to the UK National Accounts

Chapter summary and overview of the national and sector accounts.

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Release date:  
31 October 2024

Next release:  
To be announced

## Table of contents

1. [Overview of the Blue Book](#)
2. [Overview of the UK National Accounts and sector accounts](#)
3. [Summary of changes](#)
4. [The basic accounting framework](#)
5. [Table numbering system](#)
6. [The purpose of an account](#)
7. [The integrated economic accounts](#)
8. [The goods and services account \(Account 0\)](#)
9. [Current accounts: the production and distribution of income accounts](#)
10. [Satellite accounts](#)
11. [Production included in economic activity](#)
12. [Prices used to value the products of economic activity](#)
13. [Gross domestic product: the concept of net and gross](#)
14. [Symbols used](#)
15. [Cite this chapter](#)

# 1 . Overview of the Blue Book

UK National Accounts, 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 the Office for National Statistics (ONS). They record and describe economic activity in the UK and are used to support the formulation and monitoring of economic and social policies.

## Important notes on Blue Book 2024

### Annual chain-linking and updating the base year

Volume estimates of UK gross domestic product (GDP) are produced via a process known as chain-linking. This is so our estimates of GDP reflect our latest estimates on the structure of the UK economy. The last base year is typically moved forward by one year as part of the process of annual chain-linking. We explain this process in further detail in our [Chain-linking methods used within the UK National Accounts methodology](#).

However, in Blue Book 2022 and 2023, the last base year remained at 2019 to avoid the coronavirus (COVID-19) pandemic-affected economy structure of recent years having an impact on subsequent periods. The effect of the coronavirus pandemic led to very large movements in industry-level estimates of gross value added (GVA), so these structures were unlikely to reflect more "normal" times. In addition, moving the last base year on to 2020 or 2021 would likely have led to unusual movements in our GDP volume series. Therefore, in line with international guidance, we kept the base year under review.

In Blue Book 2024, we have returned to our pre-pandemic approach to chain-linking and have moved the last base year on to 2022 as part of our production process. Because the base year has been moved forward over a longer time period than usual, the revisions to volume estimates as a result of changing base years may be larger than usual in Blue Book 2024.

## Content of Blue Book 2024

Note that the chapter numbers refer to the worksheet numbering sequence in our accompanying data tables.

### 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:

- GDP at current market prices and chained volume measures
- GDP deflator
- 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 Blue Book 2022.

## 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

[Chapter 3](#), [Chapter 4](#), [Chapter 5](#), [Chapter 6](#) and [Chapter 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 subsectors of the economy (including the rest of the world)

## Chapters 8 to 11

[Chapter 8](#), [Chapter 9](#), [Chapter 10](#) and [Chapter 11](#) cover additional analysis and include:

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

## Chapter 12

[Chapter 12](#) covers the 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:

- 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 (NPISH).

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. They show 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) and 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 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

For Blue Book and Pink Book 2024, we have only incorporated a small number of methodological changes. These changes primarily affect the years 2020 to 2023, as well as the first two quarters of 2024. These affect current price and volume improvements and include:

- the implementation of outstanding classification decisions affecting the public sector
- improvements to healthcare volumes, with more comprehensive data replacing less detailed sources
- improvements to the UK trade gas exports deflator

We have published information about these improvements, and their associated data impacts in our [Proposed changes to be implemented in Blue Book and Pink Book: 2024 article](#) and [Blue Book 2024: advanced aggregate estimates article](#).

#### Public sector finances

To improve the alignment of the national accounts and public sector finances publications, Blue Book 2024 has included the effects of the Classification assessment of Bulb Energy Limited.

In April 2022, the Office for National Statistics (ONS) reviewed the classification status and concluded that Bulb is a market body subject to public sector control. Therefore, Bulb was classified to the public non-financial corporations subsector within the public sector. For further information, see our statement on the [Classification of Bulb Energy Limited](#). This change impacts the period from November 2021 to December 2022.

The subsequent [Classification of the transfer of Bulb Energy Limited \(in special administration\) to Octopus Group Limited](#) (August 2023) is expected to be implemented into the Public Sector Finances in the next 12 months, and will also be implemented in a future Blue Book.

Many economic statistic classification decisions into or out of the public sector are implemented by the relevant government departments, and the data flow automatically into the public sector finances and the national accounts from our regular data deliveries. For this reason, they are not always separately identifiable. Occasionally there are more complex classification decisions which require additional work to implement into our relevant economic statistics. Bulb Energy is an example of this.

#### Government healthcare services

For Blue Book 2024, we have a more comprehensive set of data covering the volume of government healthcare services delivered over 2021. This replaces the less detailed data sources currently used to produce volume estimates.

## Deflator improvements

Following improvements made to the price measurement of gas imports within our trade figures in 2022, we have now introduced improvements to our UK trade gas exports deflator. For further details, see our [Methodological improvements to UK trade and gross domestic product \(GDP\) article](#).

## 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 (ESA) 2010, a three-part numbering system is used; the first two digits denote the sector and the third digit denotes the ESA 2010 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, and AN for non-financial assets and liabilities.

## 6 . The purpose of an account

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.

## 7 . The integrated economic accounts

The integrated economic accounts of the UK provide an overall view of the economy. The accounts are grouped into four main categories:

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

## 8 . The goods and services account (Account 0)

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 (Account I)

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 account (Account II)

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 comprises four sub-accounts:

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

### **The allocation of primary income account (Account II.2.1)**

Primary incomes are accrued to institutional units because of their involvement in production or their ownership of productive assets. They include property income (from lending or renting assets) and taxes on production and imports. They exclude taxes on income or wealth, social contributions or benefits, and 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 (Account II.2)**

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 account (Account II.3)**

This account shows how gross disposable income of households, non-profit institutions serving households (NPISH), 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 (Account II.4)**

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 (Account III)**

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 related 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 (Account III.1)**

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 (Account III.2)**

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 (Account III.3)**

The other changes in assets account is concerned with the recording of changes in the values of assets and liabilities, and therefore of the changes in net worth, between opening and closing balance sheets. that result from flows that are not transactions ("other flows").

This account is further subdivided into:

- the other changes in the volume of assets account, III.3.1
- the revaluation account, III.3.2.

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 neither because of transactions between institutional units (as recorded in the capital and financial accounts) nor 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 (Account IV)

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 the 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 (Account V)

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 [Environmental accounts](#) for further information.

## 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 (ESA) 2010, which the UK still follows, the definition of economic territory also includes territorial enclaves in the rest of the world. These include 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.

However, it excludes any extra territorial enclaves, that is, parts of the UK geographic territory like embassies and United States military bases used by general government agencies of other countries, by the institutions of the EU, 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.

# **11 . Production included in economic activity**

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 (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

## **12 . 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. This means 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 Value Added Tax (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).

## 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.

Gross domestic product (GDP)  
equals  
the sum of primary incomes distributed by resident producer prices.

The definition of gross national income (GNI) is 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).

RGDI  
plus  
real primary incomes receivable from abroad  
less  
real primary incomes payable abroad  
equals  
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.

## 13 . 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 gross domestic product (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.

## 14 . Symbols used

In general, the following symbols are used in our tables:

.. denotes not available  
— denotes nil or less than £500,000  
£ billion denotes £1,000 million

## 15 . Cite this chapter

Office for National Statistics (ONS), released 31 October 2024, ONS website, compendium chapter, [Introduction to the UK National Accounts, UK National Accounts, The Blue Book: 2024](#)