

Article

National Accounts articles: Latest developments to National Accounts and Balance of Payments; Changes to be implemented for Blue Book 2016 and Pink Book 2016

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1. Executive summary

This is an update of the previously published article which informed users of the planned scope and content of the 'United Kingdom National Accounts: The Blue Book: 2016 edition'. This included forthcoming changes, and outlined plans for subsequent Blue Books. At the time of publishing we said that further developments or priorities may arise which might result in a change to the scope. 3 further improvements have emerged and, alongside a reminder of the scope detailed in the previous publication, the additions to scope are presented in this updated article. While none of these additional changes impact on GDP they will impact on data in the Blue Book 2016 and Pink Book 2016 (United Kingdom Balance of Payments).

2. Introduction

Every year the Office for National Statistics (ONS) updates the UK National Accounts through a process known as annual Supply and Use balancing. This brings together detailed data on the three approaches to measuring Gross Domestic Product (GDP), and balances them by product and industry. Volume series are updated so their reference and base years are moved forward, usually (but not always) by one year. At the same time, major methodological or classification changes, may be implemented within the accounts. The publication incorporating these changes is known as the Blue Book, and the Quarterly National Accounts publication published a month prior is consistent with Blue Book. Blue Book also includes changes made to incorporate new data sources, including those used for annual benchmarking purposes.

A similar process is followed for the Balance of Payments. The annual publication, known as the Pink Book, is published at the same time as the Blue Book and includes detailed balance of payments statistics including geographical breakdowns of the current account and international investment positions. This publication is preceded by a quarterly Balance of Payments publication.

The UK National Accounts must adhere to international standards, specifically the European System of Accounts and Balance of Payments Manuals, to ensure international comparability. In September 2014 the ONS published the first set of UK National Accounts incorporating methods changes to bring them in line with the [European System of Accounts 2010 \(ESA2010\)](#), which replaced the European System of Accounts 1995 (ESA1995). The Balance of Payments (BoP) was published in line with the [Balance of Payments and International Investment Position Manual sixth edition \(BPM6\)](#). Blue Book 2016 will continue to focus on implementing further changes in line with ESA2010, as well as implementing some improvements considered important by users, and also addressing the remaining Gross National Income (GNI) reservation currently in place on the National Accounts on an ESA1995 basis. In addition, ONS is planning the work programme for Blue Book 2017 and beyond. Blue Book and Pink Book 2017 are currently planned for publication in October 2017.

3. Scope of Blue Book 2016 and Pink Book 2016

The scope of Blue Book 2016 includes the key changes detailed below. This article is being released alongside a series of articles today, 24 February 2016, detailing the improvements which will be made in June 2016 to ensure that the UK National Accounts continue to provide the most robust and coherent framework for analysing the UK economy – at both the national and international level.

Blue Book 2016 will implement improvements to the data sources and methods used to estimating imputed rental, which includes the use of new data sources (Valuation Office Agency data and similar data from the devolved nations) replacing existing Living Cost and Food survey data. The impact of this change, and each of the improvements discussed below, is presented in further detail in the article [Impact of Blue Book 2016 Changes on Current Price Gross Domestic Product Estimates, 1997 to 2011](#).

Following the review and improvements implemented of non-complicity value added tax (VAT fraud) in Blue Book 2015, ONS has continued to investigate under or non-reporting of income – for both individuals and corporations – and the results of this review will be implemented in Blue Book 2016. Fuller details on VAT fraud are described in the [Impact of Blue Book 2016 Changes on Current Price Gross Domestic Product Estimates, 1997 to 2011](#).

Blue Book 2016 also includes changes to the treatment of non-market output and social transfers in kind that are required under international standards and guidelines as a result of the implementation of European System of Accounts 2010 ([ESA 2010](#)). Under ESA 1995 only goods and services provided free of charge were allocated to non-market output. ESA 2010 further divides non-market output to include any payments for non-market output. Consequently, this means reclassification of certain sales and fees income received by the non-market sectors will be reallocated between market and non-market output. Similarly, the treatment and concept of social transfers in kind has altered from ESA 1995 standards. Social transfers in kind must now be separated to show whether non-market producers directly or indirectly provide the good or service to the household. These changes are largely presentational for the National Accounts user. They have no direct impact on Gross Domestic Product (GDP), Gross National Income (GNI), Individual Final Consumption, or Actual Final Consumption. These changes are described in the article Methodological improvements to [National Account for Blue Book 2016: Market/non-market output \(P.121/P.131\) and social transfers in kind \(D.632\) for Government](#).

At the time of announcing the Blue Book 2016 and Pink Book 2016 scope in November 2015, ONS said that further developments or priorities may emerge which could result in a change to the scope. 3 further improvements have been identified and added to the scope of the 2016 Blue and Pink Books. These changes are to incorporate the latest FDI Benchmark data, a correction to the measurement related to second homes and a correction/improvement to the measurement of shares and bonds. While these changes have no impact on GDP, the impact of these 3 improvements will be implemented in the Sector and Financial Accounts and UK Balance of Payments on 30 June 2016. These changes are described in the article [The UK Flow of Funds Project: Improvements to the Sector and Financial Accounts](#).

4. Other improvements

In order for estimates to better reflect the changing industrial structures and prices in the economy, it is planned that the last base year and reference year for chained volume estimates will be moved forward by one year, from 2012 to 2013, in Blue Book 2016 and Pink Book 2016. Re-referencing on its own does not cause revisions to real growth rates, but the rebasing process of taking on new gross value added and product weights from the supply and use balancing process will cause revisions to the growth rates of chained volume components.

Highlights of the other main improvements to be incorporated in Blue Book 2016 include:

- continued reconciliation between the Public Sector Finance statistics and the National Accounts
- a minor improvement to the methodology used in estimating illegal activities which reduces the estimates made for prostitution in household final consumption expenditure by a factor to reflect the holiday taken by prostitutes
- implementing the Transport for London reclassification changes made as part of Blue Book 2015 (reclassifying subsidiaries of Transport for London previously recorded as public non-financial corporations as Local Government bodies). To complete the required actions within National Accounts, adjustments have now been made to the capital stocks series back to 2008 to incorporate this reclassification
- incorporation of a methodology change made by HM Revenue & Customs (HMRC) for the compilation of natural gas traded with non-EU partners. This change only affects non-EU imports of natural gas and has already been applied in the UK Trade statistical release for 2014 onwards. At Blue Book 2016 this change is being taken back to 2011

5. Revisions

These improvements will lead to revisions throughout the published time series. Revisions between 1997 and 2011 will be mainly due to methods changes, whilst the years 2012 to 2014 will also be fully open for revision to allow the incorporation of new data from sources such as the Annual Business Survey.

6. Communications

To keep users informed on all changes to the National Accounts, ONS will adopt a similar approach to that taken in previous Blue Books by publishing a series of articles in the lead up to the publication, supported by news releases, highlighting the key changes detailed above. The changes will also be presented at various seminars and user groups.

Table 1 gives a draft schedule for the remaining articles leading up to the publication of Blue Book 2016 and Pink Book 2016 on 29 July 2016. Final dates will be announced at least 1 month before each publication.

Table 1: Provisional publication schedule for UK Blue Book and Pink Book 2016

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Content of Article	Provisional date of publication
Impact on GDP Chained Volume Measure annual estimates 1997-2011	Wednesday 23 March 2016
GDP(O) Industry Review	Wednesday 23 March 2016
Methodological improvements to National Accounts for Blue Book 2016: Imputed rent	Wednesday 23 March 2016
Detailed assessment of changes to Sector and Financial Accounts annual estimates 1997-2011	Tuesday 26 April 2016
Detailed assessment of changes to Balance of Payments annual estimates 1997-2011	Tuesday 26 April 2016
Impact on GDP Current Price and Chained Volume Measure quarterly and annual estimates 1997-2014	Friday 20 May 2016
Detailed assessment of changes to Sector and Financial Accounts 1997-2014	Tuesday 7 June 2016
Detailed assessment of changes to Balance of Payments 1997-2014	Tuesday 7 June 2016
Classification Changes to National Accounts for Blue Book 2016	Tuesday 7 June 2016
Quarterly National Accounts Quarter 1 (January to March) 2016 (consistent with Blue Book 2016)	Thursday 30 June 2016
Balance of Payments Quarter 1 2016 (consistent with Pink Book 2016)	Thursday 30 June 2016
Impact of changes in the national accounts and economic commentary for 2016 Quarter 1 (Apr to June)	Thursday 30 June 2016
Blue Book 2016	Friday 29 July 2016
Pink Book 2016	Friday 29 July 2016