

Compendium

National accounts at a glance

A summary of recent trends and movements within the UK economy.

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Release date:
31 October 2023

Next release:
To be announced

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1 . Overview

This section of the UK National Accounts, The Blue Book: 2023 edition looks at recent trends in the UK economy for a range of information that is published as part of the UK National Accounts.

All UK figures referred to in this section are consistent with Blue Book 2023, which contains methodological and data improvements that [impacted estimates of the UK's gross domestic product \(GDP\)](#). Though annual national accounts are able to take advantage of more detailed data and therefore achieve a higher level of accuracy, these statistics for the more recent years should still be considered provisional and remain subject to revision in future annual national accounts publications.

Revisions to historical data can still occur when there are either methods and/or source data changes that are required to ensure data comparability over time. The nature and impact of any such revisions will be communicated in line with the [National Accounts Revisions Policy](#).

2 . Gross domestic product

There was a further increase in activity in the UK economy in 2022, as the economy continued to recover from the impacts of the coronavirus (COVID-19) pandemic (Figure 1).

Real gross domestic product (GDP) is estimated to have increased by 4.3% in 2022, following growth of 8.7% in 2021, the fastest rate of growth seen since the Second World War. Coronavirus restrictions eased throughout 2021, with most remaining restrictions lifted during early 2022.

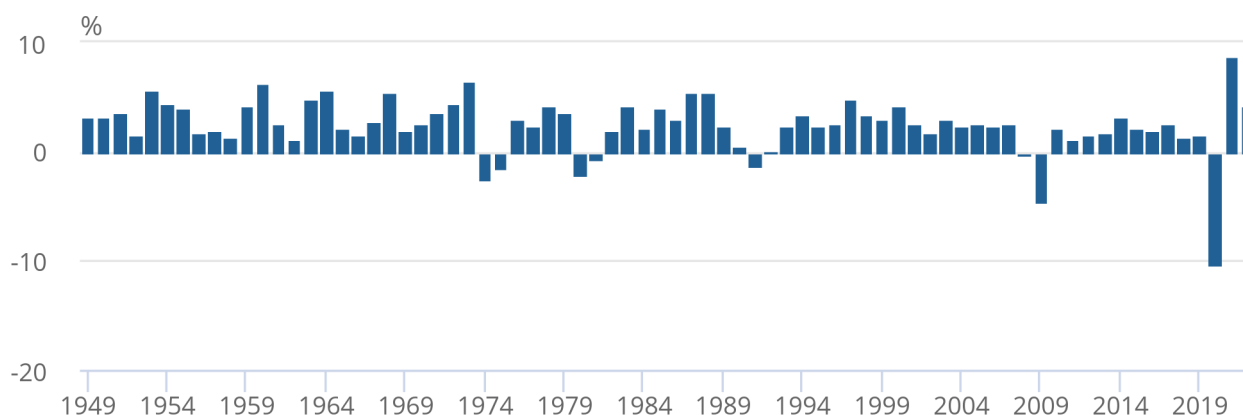
The significant impact of the pandemic primarily explains the 10.4% fall in economic activity in 2020, which was the largest annual fall in UK GDP in over 300 years. In 2022, real GDP was 1.7% above its pre-coronavirus (2019) level, having been 2.6% below in 2021.

Figure 1: The UK economy increased by 4.3% in 2022, following the 8.7% post-coronavirus rebound in 2021

Real annual gross domestic product growth, UK, 1949 to 2022

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Real annual gross domestic product growth, UK, 1949 to 2022



Source: Blue Book 2023 from the Office for National Statistics

3 . Net domestic product

Gross domestic product (GDP) is a production concept, which is important for fiscal and monetary policymakers whose focus is concentrated on output and inflation. Net domestic product (NDP) is more appropriate from a welfare and sustainability perspective. It reflects the level of resources that are available for consumption or investment and is a rough proxy of the level of consumption that can be maintained while leaving capital assets intact.

As NDP takes into account the depreciation of capital assets, it is considered to be superior to GDP as a measure of well-being of a nation and serves as an important factor for determining the economic health of a country.

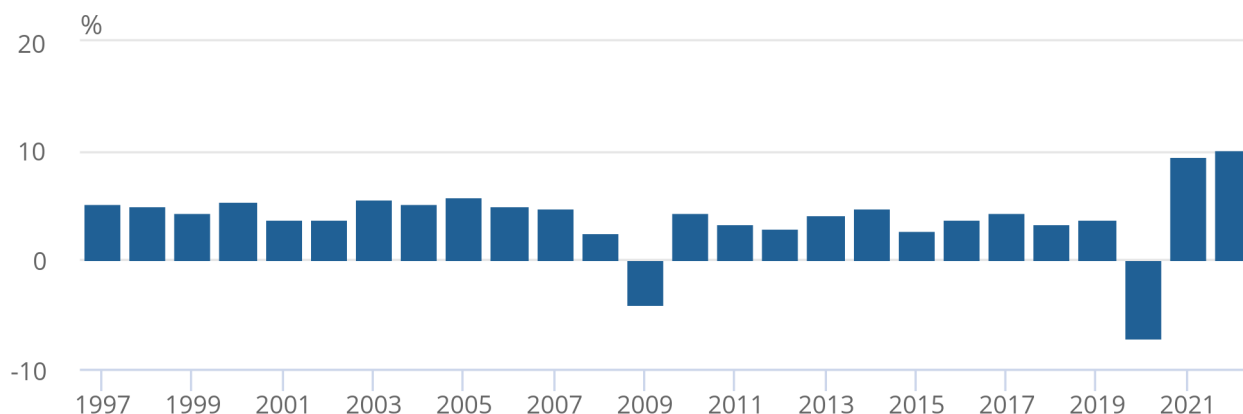
The UK's nominal NDP was estimated to have grown by 10.2% in 2022, following a post-coronavirus (COVID-19) pandemic rebound of 9.6% growth in 2021 (Figure 2). It should be noted that, as these are nominal measures, estimates of change will also capture any change in price.

Figure 2: The UK's nominal NDP grew by 10.2% in 2022, following a post-coronavirus rebound of 9.6% in 2021

Annual nominal net domestic product growth, UK, 1997 to 2022

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Annual nominal net domestic product growth, UK, 1997 to 2022



Source: Blue Book 2023 from the Office for National Statistics

4 . Output produced in the UK economy

The coronavirus (COVID-19) pandemic had wide-ranging industry-level effects, which led to variations in the recovery of industries in 2021 and 2022. This reflects how public health restrictions and social distancing had a negative impact on those industries that were more reliant on physical interactions, including hospitality and retail, which might be considered as “high contact”. Relatively “low contact” industries, such as information and communication, saw little or no initial contraction.

Accommodation and food service activities (24.3%), arts, entertainment and recreation (16.9%), and transport and storage (14.0%) saw the fastest estimated growth rates in 2022, continuing their 2021 rebound from the sharp contractions seen in 2020. This again reflected the pandemic restrictions in place in each of those years and their impact on these industries.

Despite having the fastest growth rates, accommodation and food service activities was the only industry of those three that had surpassed its 2019 output in 2022 (by 1.5%). Transport and storage, and arts, entertainment and recreation were 14.8% and 3.1% below their 2019 levels, respectively.

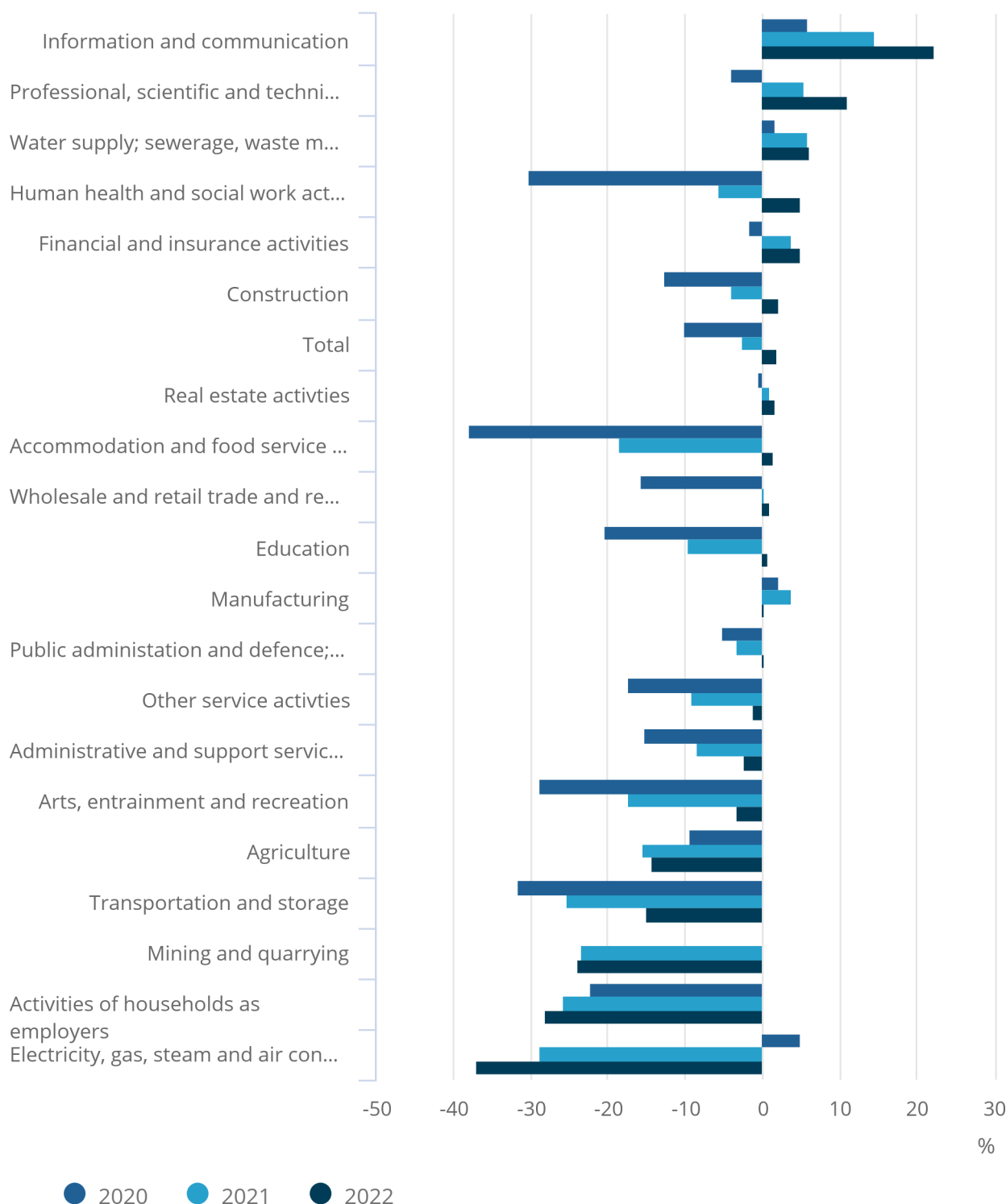
Overall, the industries that were estimated to have had the largest increases in output relative to pre-coronavirus (2019) levels in 2022 were information and communication (up 22.3%), professional, scientific and technical activities (up 11.1%), and water supply, sewerage, waste management and remediation activities (up 6.2%) (Figure 3). The industry with output furthest below 2019 output levels in 2022 was electricity, gas, steam and air conditioning supply (down 36.9%), where increases in the cost inputs, namely natural gas, have impacted on output volumes.

Figure 3: There has been wide-ranging variation in industry-level rebound volume growth with 12 industries recovering above their 2019 levels and 8 industries remaining below 2019 levels in 2022

Annual output growth (volume gross value added) relative to 2019, UK, 2020 to 2022

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Annual output growth (volume gross value added) relative to 2019, UK, 2020 to 2022



5 . Spending in the UK economy

Households' final consumption expenditure was estimated to have risen by 4.9% in 2022, following a rise of 7.5% in 2021 (Figure 4), where it was boosted by the further easing of coronavirus (COVID-19) restrictions and a return to near normal levels of social consumption.

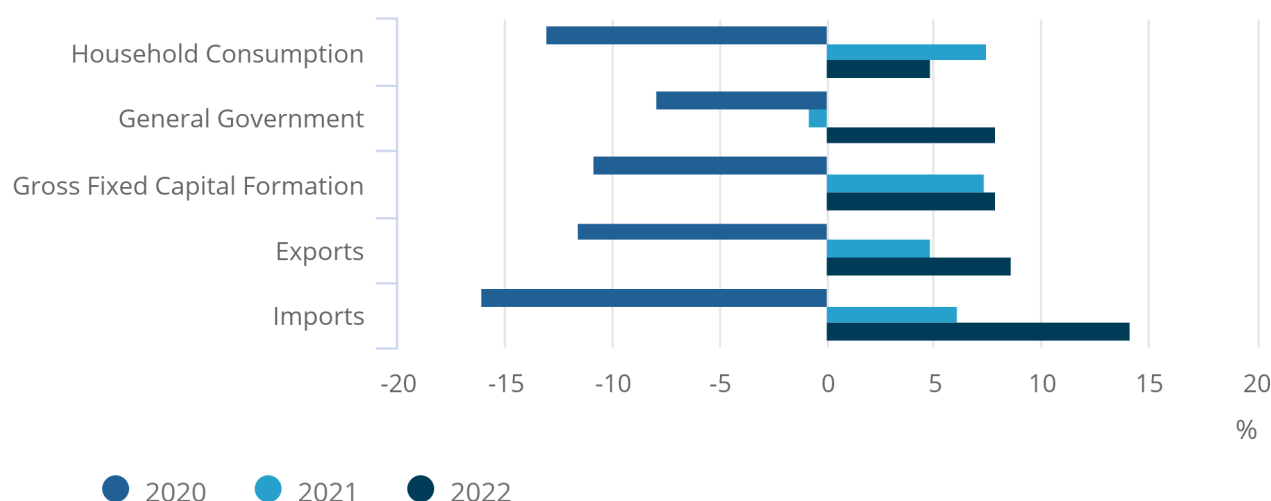
This was driven by a further increase in spending on restaurants and hotels (up 28.3% in 2022, following a rebound of 32.6% in 2021), and transport (up 16.2% in 2022, following a rise of 12.3% in 2021). In 2022, spending on restaurants and hotels was above 2019 levels, but spending on transport remains below 2019 levels, likely in part because of the continuation of [hybrid working](#). Despite increases in overall real final consumption expenditure by households in the last two years, expenditure in 2022 remained 1.9% below its 2019 level.

Figure 4: All main types of expenditure recovered above their 2019 levels in 2022

Real expenditure growth relative to 2019 levels, UK, 2020 to 2022

Figure 4: All main types of expenditure recovered above their 2019 levels in 2022

Real expenditure growth relative to 2019 levels, UK, 2020 to 2022



Source: Blue Book 2023 from the Office for National Statistics

Real government consumption increased by 7.9% in 2022, following a 0.8% decline in 2021 and a 7.9% fall in 2020. This was driven by expenditure on education (up 15.4%) and expenditure by central government (up 9.6%). It is worth noting that although real government expenditure fell in 2020 and 2021, there were sharp 11.5% and 7.0% increases, respectively, in nominal terms because of additional spending on personal protective equipment (PPE), NHS Test and Trace, and increased use of agency staff. In 2022, nominal government consumption increased by 3.2%, slower than the increase in real government consumption, indicating a decrease in the price of government consumption.

Gross fixed capital formation was estimated to have increased by 7.9% in 2022, following an increase of 7.4% in 2021. This followed a fall of 10.8% in 2020, in which businesses faced lower turnover, cashflow issues and higher levels of economic uncertainty, which might have led to some postponement or cancellation in their planned investments. Growth in business investment accelerated in 2022, reaching 9.6%, having grown by 2% in 2021.

Trade volumes also continued to recover in 2022, as UK exports increased by 8.6% in real terms, while imports increased by 14.1%. This marked an acceleration in trade volumes following increases of 4.9% and 6.1% for imports and exports, respectively, in 2021. Both import and export volumes recovered to their pre-coronavirus (2019) position in 2022. These stronger growth rates again reflect the easing of coronavirus restrictions, both in the UK and abroad, which had impacted UK trade flows directly, for example, through travel restrictions, but also through wider disruption to global supply chains.

6 . Net lending and borrowing by institutional sectors

The change in estimates of institutional sectors' net lending and borrowing position between 2019 and 2022 is shown in Figure 5. The coronavirus (COVID-19) pandemic brought about large changes in income and expenditure, particularly for households and government.

In 2020, the largest change was for the government, whose net borrowing increased, primarily reflecting the fiscal cost of the policy response to the pandemic, as well as lower tax receipts because of the reduction in economic activity. This was largely offset by the increase in net lending by households. There was some unwinding of these lending and borrowing positions of households and government in 2021 and further unwinding in 2022.

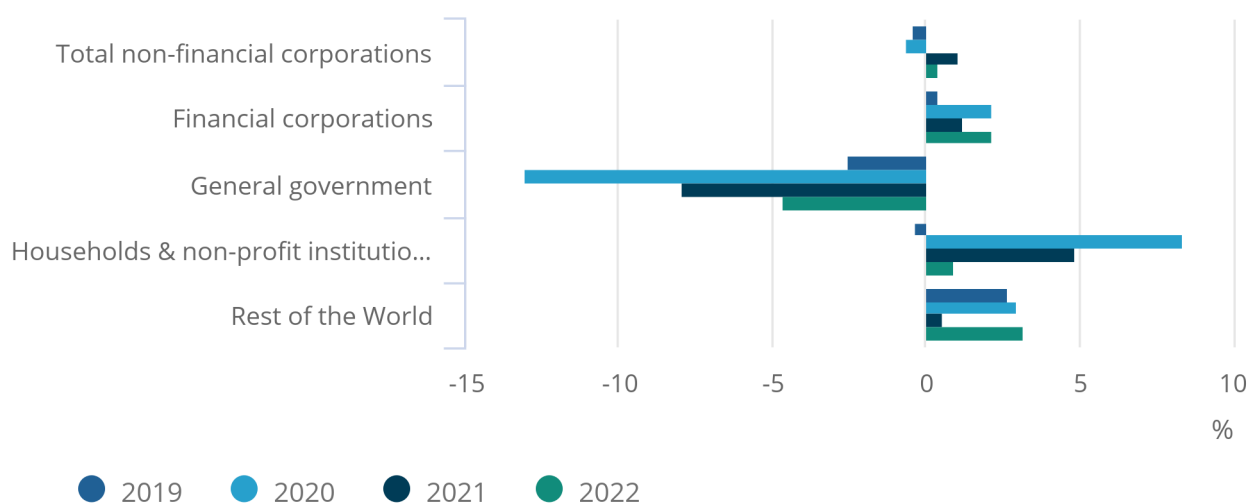
One phenomenon of the pandemic was the concept of forced savings, as coronavirus restrictions reduced the opportunities for consumer spending and household incomes were relatively protected by government policy. Having reached a record 16.6% in 2020, the UK's households' savings ratio fell in 2021 to 12.2% and fell further to 7.7% in 2022, but remains above its 2019 level (when it stood at 5.5%). This has been a common theme across developed economies.

Figure 5: Households and financial corporations maintained their improved financial position in 2022 relative to 2019, while government net borrowing remained above its 2019 level

Net lending and borrowing as a share of gross domestic product (capital account), UK, 2019 to 2022

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Net lending and borrowing as a share of gross domestic product (capital account), UK, 2019 to 2022



Source: Blue Book 2023 from the Office for National Statistics

The reduced ability of households to spend money on consumption in 2020 led to a record increase in the holdings of currency and deposits as assets. In 2021, as the economy re-opened, households ran down their holdings of currency and deposits, and ran them down further in 2022, while also raising their borrowing of loans and debt securities (Figures 6a, 6b and 6c).

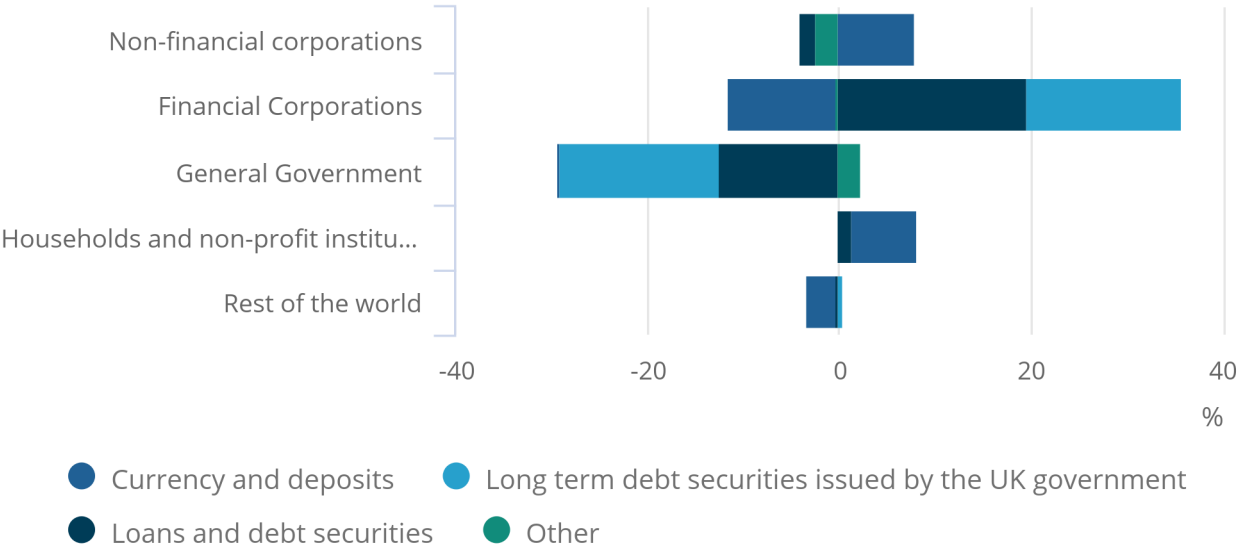
Non-financial corporations also experienced a fall in their holdings of currency and deposits between 2020 and 2021 and again between 2021 and 2022 as business activity increased. We have previously provided [analysis of the impact of the coronavirus pandemic on households and businesses' financial position](#). Government became a net lender of long-term debt and securities, reversing its position from 2020 where it issued long-term debt to finance its increase in net borrowing. This unwinding in financial flows in 2021 and 2022 is reflected in the positions of financial corporations who typically lend to the government.

Figure 6a: Households and non-financial corporations deposited less money in 2022 and 2021 than in 2020, while government saw a fall in long-term debt securities issued

Differences in the net acquisition of assets between 2019 and 2020 (as a share of real gross domestic product), UK

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Differences in the net acquisition of assets between 2019 and 2020 (as a share of real gross domestic product), UK



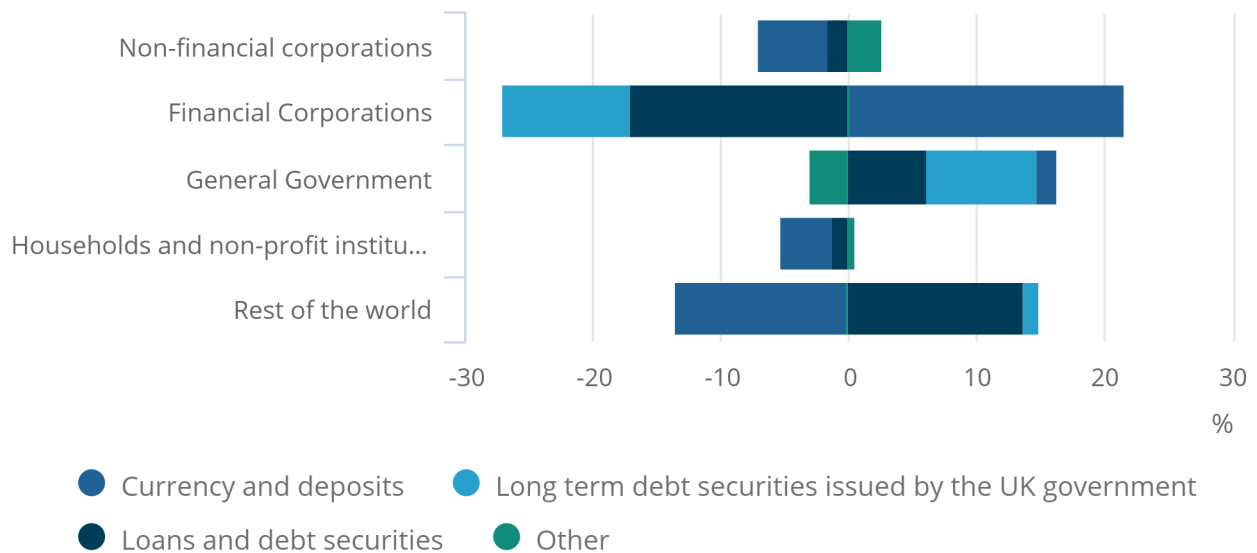
Source: Blue Book 2023 from the Office for National Statistics

Figure 6b

Differences in the net acquisition of assets between 2020 and 2021 (as a share of real gross domestic product), UK

Figure 6b

Differences in the net acquisition of assets between 2020 and 2021 (as a share of real gross domestic product), UK



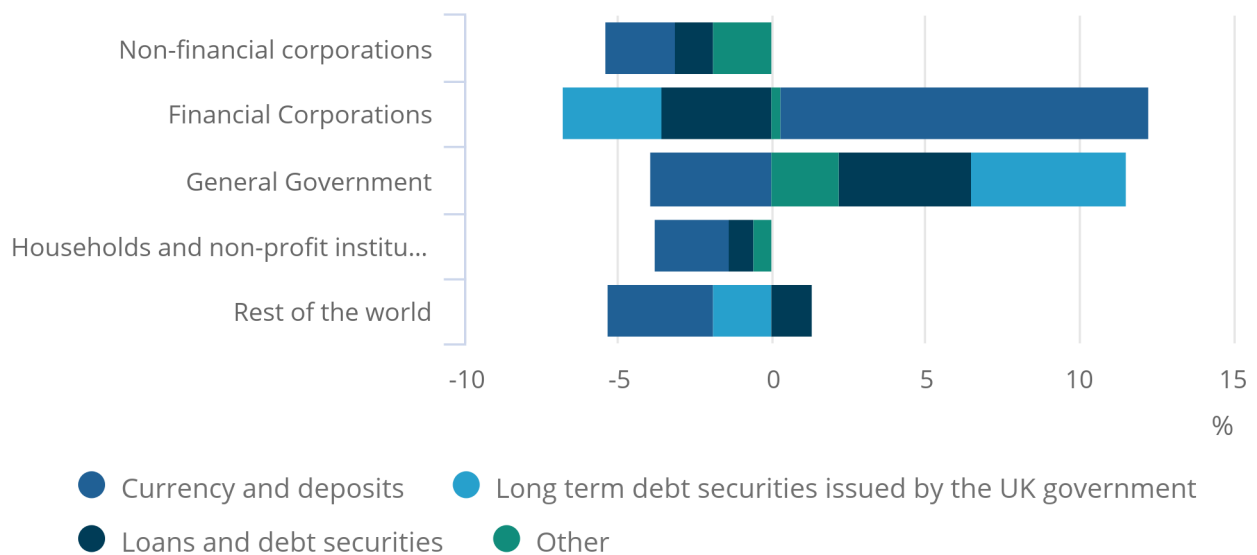
Source: Blue Book 2023 from the Office for National Statistics

Figure 6c

Differences in the net acquisition of assets between 2021 and 2022 (as a share of real gross domestic product), UK

Figure 6c

Differences in the net acquisition of assets between 2021 and 2022 (as a share of real gross domestic product), UK



Source: Blue Book 2023 from the Office for National Statistics

7 . International comparisons and terms of trade

All G7 economies experienced a further rise in real gross domestic product (GDP) in 2022 following a rise in 2021, recovering towards and in most cases beyond their 2019 levels (Figure 7).

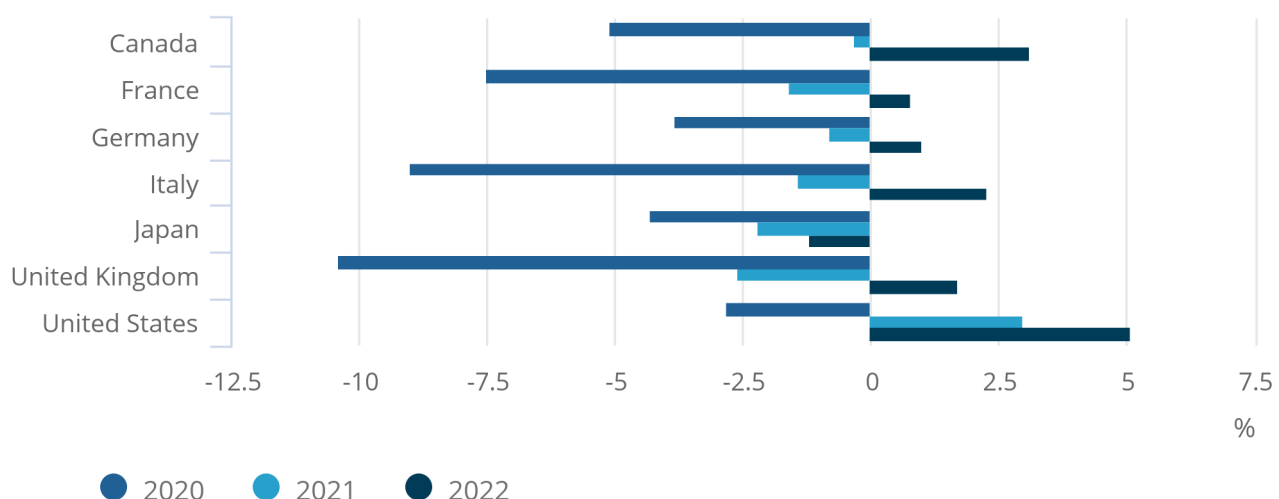
The variation between countries in 2022 reflects both the timing and stringency of coronavirus (COVID-19) impacts between 2020 and 2022, as well as the structural composition of these economies as they emerged from the pandemic. As noted previously, recent growth saw UK GDP surpass its 2019 level by 1.7% in 2022. Among G7 countries, the United States was furthest above its pre-coronavirus level in 2022, growing by 5.1% since 2019. On the other hand, despite growing in 2021 and 2022, Japan was the only G7 country to remain (1.2%) below its pre-coronavirus level of GDP.

Figure 7: All G7 economies experienced a rise in real GDP in 2021 and 2022, recovering above their 2019 levels (with the exception of Japan)

Real gross domestic product relative to 2019, G7 countries, 2020 to 2022

Figure 7: All G7 economies experienced a rise in real GDP in 2021 and 2022, recovering above their 2019 levels (with the exception of Japan)

Real gross domestic product relative to 2019, G7 countries, 2020 to 2022



Source: Blue Book 2023 from the Office for National Statistics, Organisation for Economic Co-operation and Development

Notes:

1. OECD data correct as at 23rd October 2023.

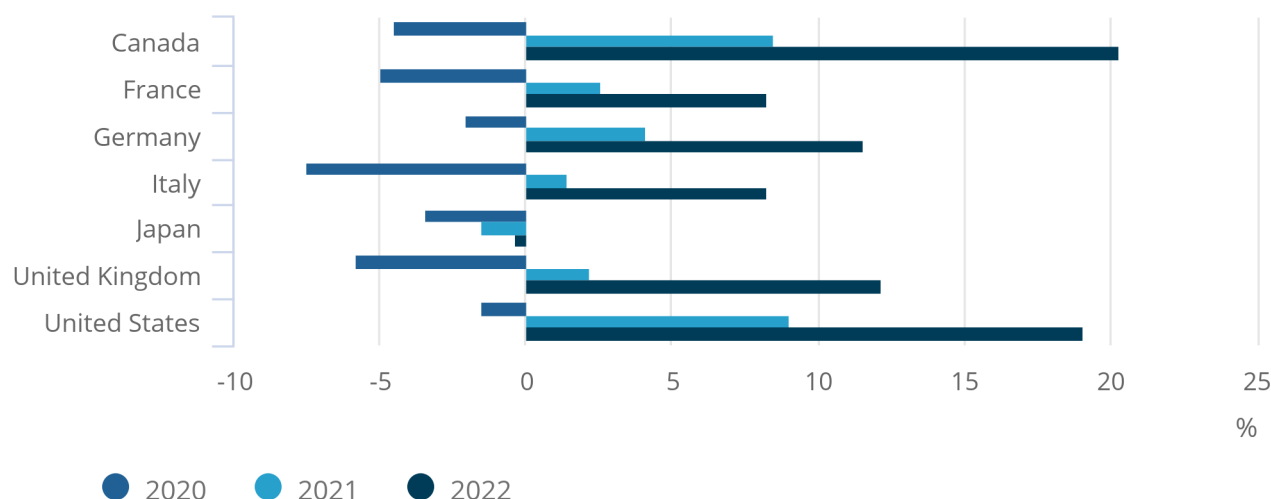
Previous analysis highlighted the [challenges of making international comparisons of GDP during the coronavirus pandemic](#) and showed that it may be useful to compare nominal and real estimates of GDP, as well as estimates excluding government expenditure. Figure 8 shows that in the nominal space, the relative performance of G7 countries is broadly similar to real GDP, with Japan the only country yet to surpass its pre-coronavirus level of output, while Canada and the United States have seen the strongest rate of growth relative to 2019.

Figure 8: Nominal GDP in G7 countries except Japan had recovered to 2019 levels in 2022

Nominal gross domestic product relative to 2019, G7 countries, 2020 to 2022

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Nominal gross domestic product relative to 2019, G7 countries, 2020 to 2022



Source: Blue Book 2023 from the Office for National Statistics, Organisation for Economic Co-operation and Development

Notes:

1. OECD data correct as at 23rd October 2023.

Considering both the real and nominal estimates of GDP also allows comparisons of the implied price of GDP, otherwise known as the implied GDP deflator. This represents the broadest measure of inflation in the domestic economy, reflecting changes in the price of all goods and services that comprise GDP.

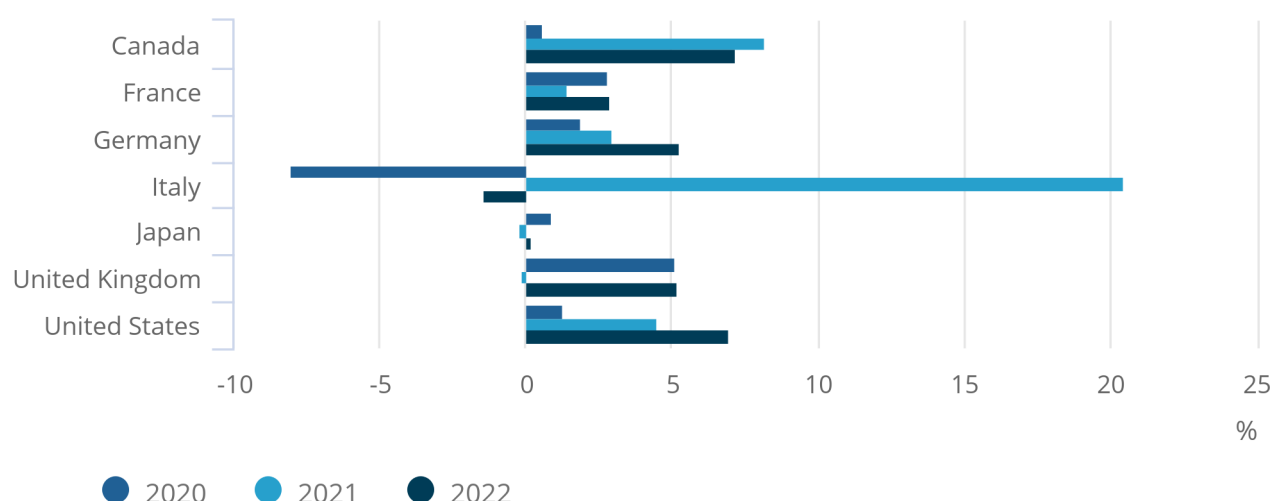
The UK's implied GDP deflator rose by 5.2% in 2022, which was the fourth-largest rise in the G7, behind Canada at 7.2%, the United States at 7.0% and Germany at 5.3% (Figure 9).

Figure 9: Measurement challenges have complicated the international comparability of the implied price of UK GDP over 2020, 2021 and 2022

Annual change in implied deflator, gross domestic product at market prices, G7 countries, 2020 to 2022

Figure 9: Measurement challenges have complicated the international comparability of the implied price of UK GDP over 2020, 2021 and 2022

Annual change in implied deflator, gross domestic product at market prices, G7 countries, 2020 to 2022



Source: Blue Book 2023 from the Office for National Statistics, Organisation for Economic Co-operation and Development

Notes:

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The annual change in implied deflators in 2022 reflects high levels of inflation in some of these economies in 2022, following [the onset of the conflict in Ukraine and the energy price shock that followed](#). Economies including the UK and Germany are more dependent on imported energy and other commodities in which production processes were particularly energy intensive.

As the UK is a net energy importer, its import prices increased by more than its export prices in response to the energy price shock in 2022. The terms of trade capture the rate of exchange between internationally traded goods and services produced by one country relative to another and are defined as the ratio between the index of export prices and the index of import prices, which shows how many imports an economy can purchase in its currency per unit of its exports.

A change in the terms of trade leads to a change in the purchasing power of a country, and this is captured by the difference between the change in real gross domestic income (GDI) and the change in real GDP, with a positive change indicating higher purchasing power and a negative change indicating lower purchasing power.

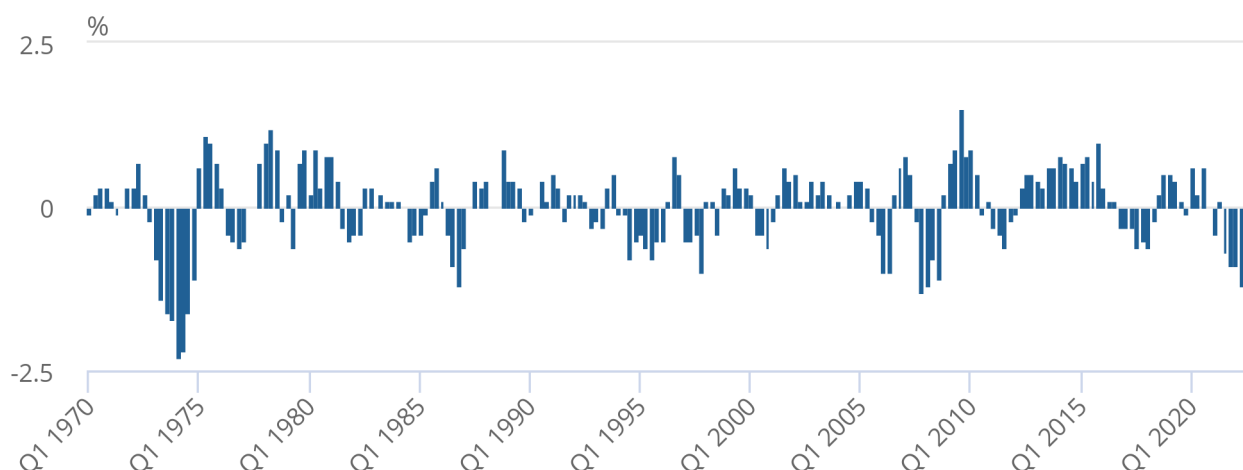
The UK experienced its largest negative terms-of-trade effect since the mid-1970s in 2022, in response to the energy price shock (Figure 10). That is, there was a decline in how much a unit of UK GDP can purchase on global markets.

Figure 10: The UK experienced the largest negative terms-of-trade effect since the mid-1970s in 2022

Percentage point difference in four-quarter growth rates of UK real gross domestic income and real gross domestic product, Quarter 1 (Jan to Mar) 1970 to Quarter 4 (Oct to Dec) 2022

Figure 10: The UK experienced the largest negative terms-of-trade effect since the mid-1970s in 2022

Percentage point difference in four-quarter growth rates of UK real gross domestic income and real gross domestic product, Quarter 1 (Jan to Mar) 1970 to Quarter 4 (Oct to Dec) 2022



Source: Blue Book 2023 from the Office for National Statistics

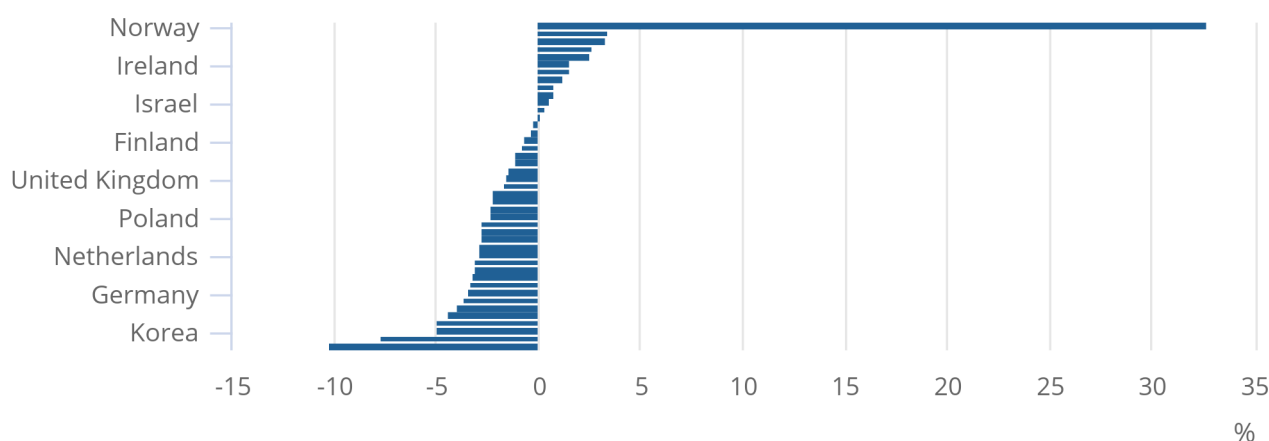
Given trends in global inflation in 2022, all open economies experienced a change in their purchasing power through this terms-of-trade effect. Figure 11 shows that 11 of 37 Organisation for Economic Co-operation and Development (OECD) countries experienced a positive impact on their purchasing power in 2022. Norway experienced the largest positive terms-of-trade effect, reflecting how much of its exports comprise oil. Canada and the United States, who are also net energy exporters, are the only countries in the G7 to have had a positive terms-of-trade effect over this period.

Figure 11: Norway experienced the largest positive terms-of-trade effect in 2022

International comparisons of the four-quarter change in real gross domestic income and real gross domestic product, Quarter 3 (July to Sept) 2022

Figure 11: Norway experienced the largest positive terms-of-trade effect in 2022

International comparisons of the four-quarter change in real gross domestic income and real gross domestic product, Quarter 3 (July to Sept) 2022



Source: Blue Book 2023 from the Office for National Statistics, Organisation for Economic Co-operation and Development

Notes:

1. OECD data correct as at 23rd October 2023.

8 . Cite this chapter

Office for National Statistics (ONS), released 31 October 2023, ONS website, compendium chapter, [National accounts at a glance: 2023, UK National Accounts, The Blue Book: 2023](#)