

Statistical bulletin

# Annual Business Survey, UK non-financial business economy: 2015 provisional results

Size and growth within the UK non-financial sectors as measured by the Annual Business Survey.



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Release date:  
10 November 2016

Next release:  
8 June 2017

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# 1 . Main points

In 2015, the approximate gross value added at basic prices (aGVA) of the UK non-financial business economy was estimated to be £1,166.5 billion. This amount represents the income of UK businesses, less the cost of goods and services consumed in its creation.

Between 2014 and 2015, aGVA increased by 6.7% (£73.1 billion), a continuation of the growth between 2009 and 2014.

The Non-financial services, Production, Distribution and Construction sectors of the UK non-financial business economy all saw growth in aGVA between 2014 and 2015.

The Non-financial services sector, which accounts for over half (56.3%) of aGVA in the 2015 UK non-financial business economy, contributed most to the increase in aGVA with a rise of 8.9% (£53.7 billion) between 2014 and 2015.

Distribution sector aGVA increased by 2.9% (£5.4 billion) between 2014 and 2015, as a consequence of an 8.8% (£111.7 billion) decrease in purchases compared with a smaller 7.0% (£103.9 billion) decrease in turnover. This can partly be attributed to the impact of falling oil prices on the wholesale of oil during 2015.

Production sector aGVA increased by 3.4% (£7.2 billion) between 2014 and 2015, with decreases in its turnover of 2.3% (£16.4 billion) and purchases of 4.5% (£21.4 billion). This can partly be attributed to the impact of falling oil prices on oil production and refining during 2015.

## 2 . Things you need to know about the survey

Estimates of the size and growth of the UK non-financial business economy for 2015 as measured by the Annual Business Survey (ABS) are presented in this release. It is the main resource for understanding the detailed structure, conduct and performance of businesses across the UK. The release covers the following sectors:

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

Together these industries represent the UK non-financial business economy and account for around two-thirds of the whole economy of the UK in terms of gross value added. Public administration and defence, public sector health and education, finance, farming and household services make up the rest of the whole UK economy and are not covered by this release.

Estimates published in this release include turnover, purchases, approximate gross value added at basic prices (aGVA) and employment costs. All data are reported at current prices (effect of price changes not removed). An overview of aGVA and a comparison of ABS and national accounts measures of value added can be found in the following links: "[What is aGVA?](#)" and "[A Comparison between ABS and National Accounts Measures of Value Added](#)".

The ABS has a wide range of uses: for example, ABS statistics are essential contributors to the [UK National Accounts](#), including the measurement of [gross domestic product](#) (GDP), they are supplied to Eurostat to meet the requirements of the European Structural Business Statistics (SBS) Regulation, and are used by the devolved administrations and central and local government to monitor and inform policy development, and by private sector analysts and academia.

It is sometimes necessary to suppress figures for certain items in order to avoid disclosing information about an individual business. The [ABS Technical Report](#) describes the methods used to safeguard the information provided in confidence to us. In the same way our commentary must also avoid disclosing information about individual businesses.

### **3 . UK non-financial business economy, Sections A to S (part)**

In 2015, the income generated by businesses in the UK, less the cost of goods and services used to create this income was estimated to be £1,166.5 billion. This amount represents the approximate gross value added at basic prices (aGVA) of the UK non-financial business economy. Basic prices means the valuation of output includes net taxes (taxes minus subsidies) on production, such as business rates, but not net taxes on individual products that result from the production process, such as Value Added Tax (VAT).

The [main components of aGVA](#) are:

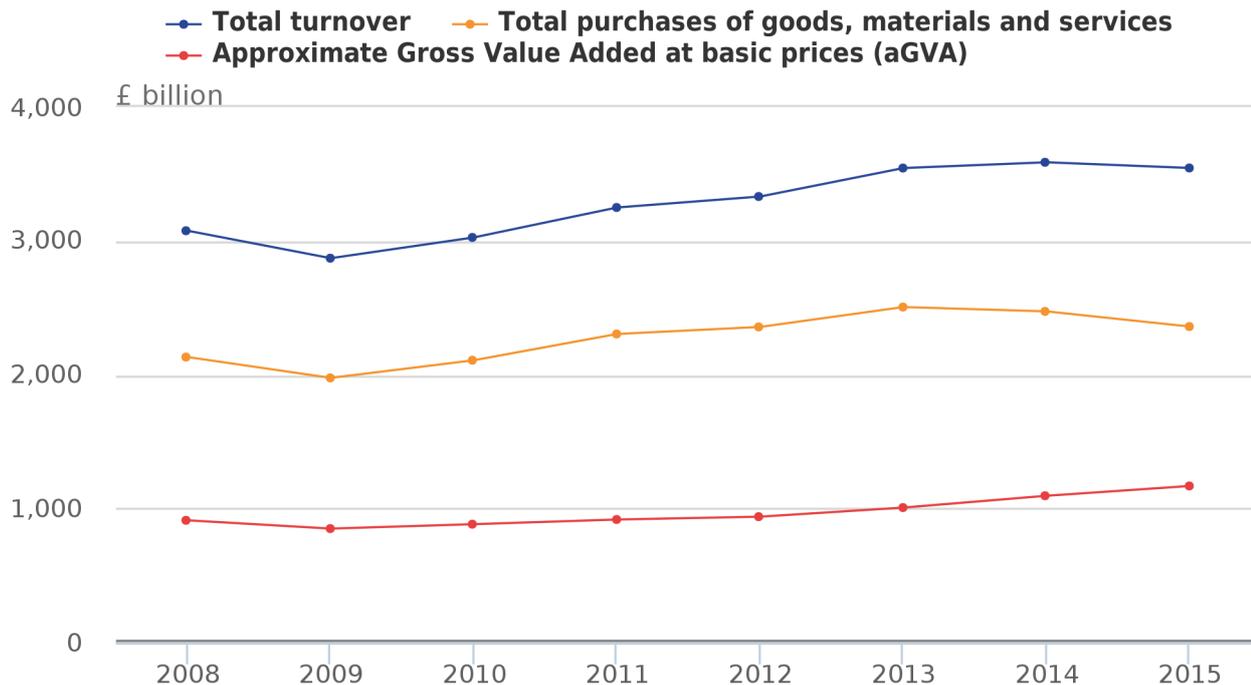
- turnover (the main component of income)
- purchases (the main component of the consumed goods and services)

Turnover decreased by 1.2% (£42.6 billion) between 2014 and 2015, while purchases of goods, materials and services decreased by 4.6% (£113.3 billion), resulting in a 6.7% (£73.1 billion) growth in aGVA (see Figure 1). This is the first time since 2009 that both turnover and purchases have fallen, with the largest decreases observed within the Distribution sector (Section G).

A list of industries which are included in the Annual Business Survey (ABS) measure of the UK non-financial business economy can be found in chapter 3 of the [ABS Technical Report](#).

**Figure 1: UK non-financial business economy, turnover and purchases and resulting aGVA**

2008 to 2015



Source: Office for National Statistics

With the exception of a small fall in the Agriculture (part) forestry and fishing sector all other sectors of the UK non-financial business economy, as measured by the ABS, saw growth in aGVA between 2014 and 2015.

Non-financial services, the largest industry sector of the UK non-financial business economy contributed most to the increase in aGVA, with a rise of 8.9% (£53.7 billion) between 2014 and 2015, the sixth consecutive annual increase since the economic downturn in 2008 to 2009.

## Figure 2: UK non-financial business economy, aGVA turnover and purchases by sector, 2015

Use the Interactive tree map to investigate which sectors contribute most to the UK non-financial business economy. Focus on the business economy as a whole or each sector and switch between aGVA, turnover and purchases.

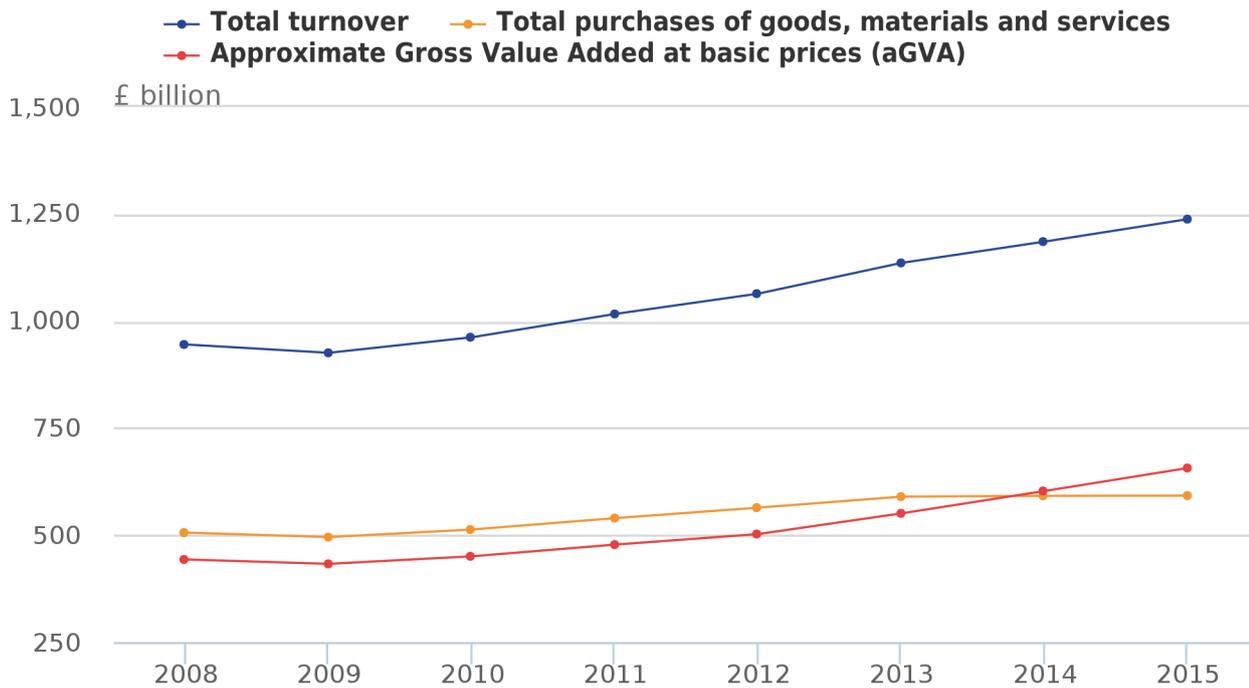
## 4 . Non-financial services, Sections H to S (part)

The Non-financial services sector contributed £656.5 billion, over a half (56.3%) of the estimated gross value added at basic prices (aGVA) total of £1,166.5 billion in 2015 for the UK non-financial business economy.

Between 2014 and 2015, Non-financial services' turnover increased at a higher rate than purchases, 4.4% (£52.5 billion) compared with 0.1% (£0.5 billion). Together with a rise in work of a capital nature this resulted in aGVA rising by 8.9% (£53.7 billion). This is the sixth consecutive year of growth in aGVA for the sector, following the fall between 2008 and 2009 (see Figure 3).

**Figure 3: UK non-financial services, turnover and purchases and resulting aGVA**

2008 to 2015



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.

All of the sections within the Non-financial services sector continued to see increases in aGVA between 2014 and 2015.

Those sections which have made the largest contributions to growth are:

- Information and communication (Section J)
- Professional, scientific and technical (Section M)
- Administrative and support services (Section N)

These sections together, accounted for 62.1% (£33.4 billion) of the increase in Non-financial services sector aGVA.

## Information and communication, Section J

Turnover in Information and communication increased by 7.1% (£14.5 billion) between 2014 and 2015 which, coupled with a 1.7% (£1.7 billion) decrease in purchases, resulted in an increase in aGVA of 16.0% (£17.0 billion) between 2014 and 2015.

The division having the largest impact on aGVA growth within Section J with an aGVA increase of 16.3% (£7.5 billion) was Computer programming, consultancy and related activities (Division 62), which includes the development of mobile phone applications. The increase in [internet use](#) on mobile devices indicates this activity has increased in importance in recent years.

This growth between 2014 and 2015 is supported by our [Labour Force Survey](#) which recorded a 5.1% increase in employment in Section J.

## **Professional, scientific and technical, Section M**

Turnover in Professional, scientific and technical increased by 6.4% (£15.4 billion) between 2014 and 2015, with purchases increasing by 7.9% (£7.8 billion). This resulted in aGVA growth of 5.7% (£8.2 billion).

This is a broad section, which covers a range of industries from Legal and accounting activities to Advertising and market research, and Veterinary activities. The divisions having the largest impact on aGVA growth (with a combined increase of £8.7 billion between 2014 and 2015) were:

- Advertising and market research (Division 73)
- Legal and accounting services (Division 69)
- Activities of head offices; management consultancy (Division 70)

The growth shown by the ABS links to the Management Consultancies Association [summary report for 2016](#) which reported strong growth in 2015 with an 8.0% increase in fee income.

## **Administrative and support services, Section N**

Between 2014 and 2015, Administrative and support services saw turnover rise by 3.5% (£6.9 billion), while purchases decreased by 1.4% (£1.3 billion) leading to an aGVA increase of 7.7% (£8.2 billion).

Two divisions contributed £6.6 billion to the growth in Administrative and support services aGVA:

- Employment activities (Division 78)
- Travel agency, tour operator and other reservation services (Division 79)

The 4.3% increase in employment in Section N reported by our [Labour Force Survey](#) between 2014 and 2015 also highlights a growing industry.

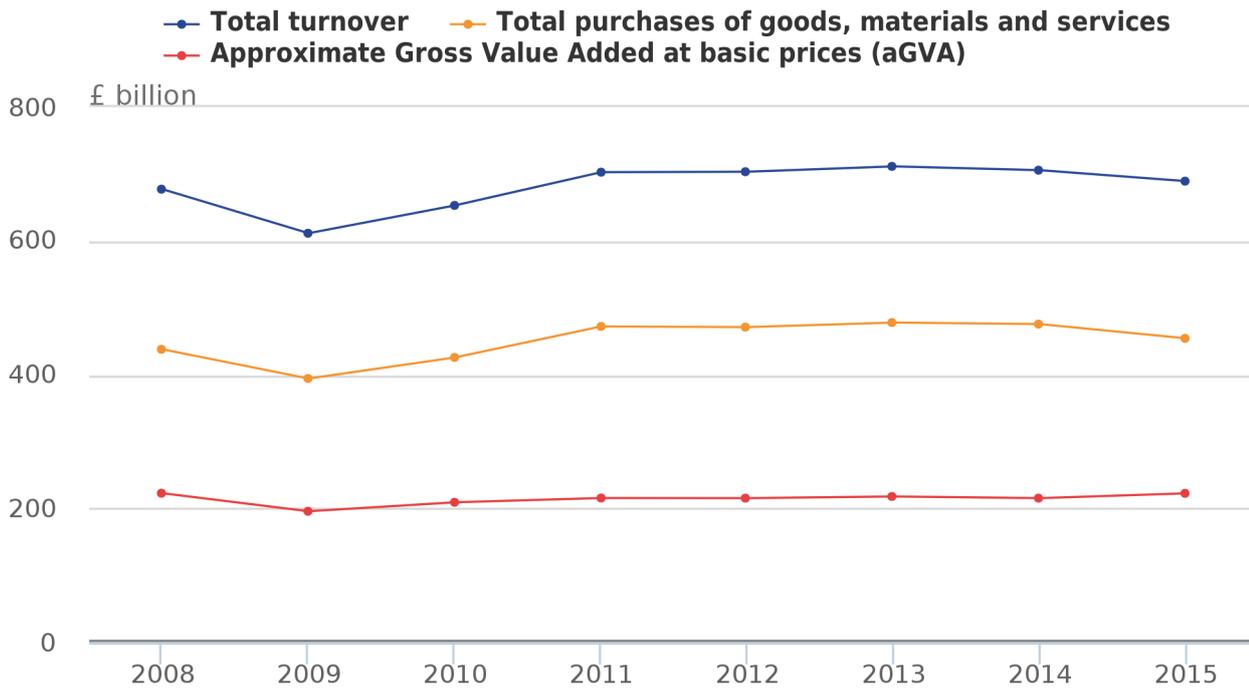
## **5 . Production, Sections B to E**

The Production sector in 2015 provided £222.3 billion, just under a fifth (19.1%) of the estimated gross value added at basic prices (aGVA) total of £1,166.5 billion for the UK non-financial business economy.

Both turnover and purchases decreased between 2014 and 2015 within the Production sector, turnover by 2.3% (£16.4 billion) and purchases by 4.5% (£21.4 billion). The greater fall of purchases over turnover, together with changes in the value of stocks, led to an increase in aGVA of 3.4% (£7.2 billion) after the decrease between 2013 and 2014, see Figure 4.

**Figure 4: Production, turnover and purchases and resulting aGVA**

2008 to 2015



Source: Office for National Statistics

Of the 4 sections that make up Production, Manufacturing (Section C) saw a rise in aGVA of 5.9% (£9.2 billion) between 2014 and 2015, while Water and waste management (Section E) aGVA increased by 5.6% (£1.0 billion).

Over the same period Mining and quarrying (Section B) and Energy generation and supply (Section D) saw decreases of 18.3% (£3.0 billion) and 0.2% (£0.05 billion) respectively.

The sections driving the fall in Production turnover and purchases between 2014 and 2015 were Manufacturing (Section C) and Mining and quarrying (Section B).

## Manufacturing (Section C)

Manufacturing, which contributes 74.1% of Production sector aGVA in 2015, saw a rise in aGVA of 5.9% (£9.2 billion) between 2014 and 2015. This was a result of a 1.1% (£5.8 billion) decrease in turnover and a greater 3.7% (£12.9 billion) decrease in purchases, together with changes in the value of stocks and total net taxes.

The main source of these decreases in both turnover and purchases was Manufacture of coke and refined petroleum products.

## Manufacture of coke and refined petroleum products (Division 19)

Manufacture of coke and refined petroleum products saw a 31.5% (£13.3 billion) decrease in turnover, a 44.6% (£14.1 billion) decrease in purchases and an increase in stocks. The decreases can be attributed to the Manufacture of petroleum products (Class 19.20) and can mainly be attributed to the fall in the price of oil as described in Mining and quarrying below.

The economic downturn and recovery in the Manufacturing sector described by the ABS, between 2008 and 2015, is broadly in line with movements in comparable industries of our “UK Manufacturers’ sales by product (PRODCOM)” figures. Both the ABS turnover estimates and the PRODCOM industry total sales estimates show a fall between 2008 and 2009 and then annual increases from 2009 to 2015, with ABS showing a slight fall in 2012.

## **Mining and quarrying (Section B), which includes oil and gas extraction**

Turnover in Mining and quarrying decreased by a greater amount of 15.9% (£6.6 billion) than purchases, which decreased by 16.1% (£4.3 billion). This resulted in a decrease of 18.3% (£3.0 billion) in aGVA.

The main contributor to this fall in aGVA was Extraction of crude petroleum and natural gas (Division 06), where turnover decreased by 22.6% (£6.1 billion) and purchases by 18.6% (£3.2 billion). This resulted in a fall in aGVA of 30.7% (£3.6 billion) in Division 06.

One potential factor behind this was the continuing fall in commodity prices through 2015 that started in the second half of 2014. For example, as reported in Figure 6 of our [Economic Review September 2015](#), crude oil prices fell from an average of £69.72 per barrel between 2011 and 2013 to £31.78 at the start of 2015, falling further to £27.19 during August 2015. This is also supported by the Department of Business, Energy and Industrial Strategy (BEIS) in [Table 4.1.1](#) of their monthly release on fuel prices. Our [Producer Price Inflation December 2015](#) release refers to the oversupply of crude oil driven by the decision by the Organisation of the Petroleum Exporting Countries (OPEC) to continue high levels of production despite reduced global demand.

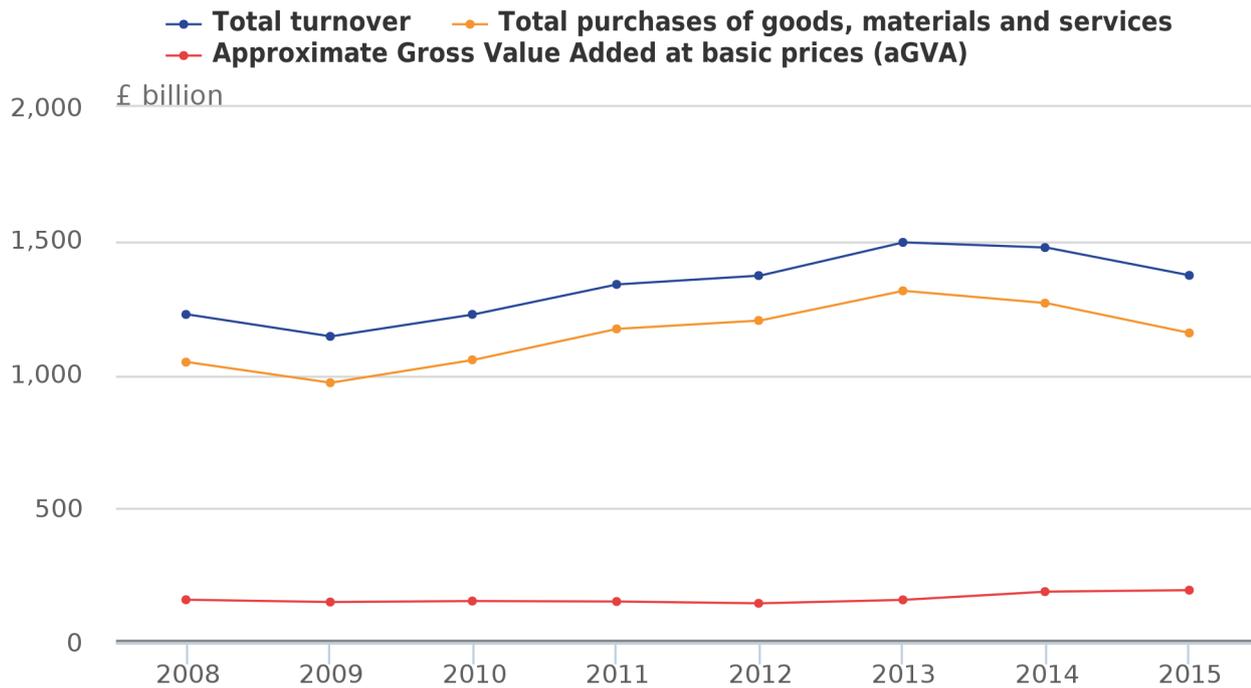
## **6 . Distribution, Section G**

The Distribution sector in 2015 contributed £193.6 billion, 16.6% of the estimated gross value added at basic prices (aGVA) total of £1,166.5 billion for the UK non-financial business economy.

Distribution aGVA saw a rise in aGVA of 2.9% (£5.4 billion) between 2014 and 2015, mainly as a result of a 7.0% (£103.9 billion) decrease in turnover and a greater 8.8% (£111.7 billion) decrease in purchases (see Figure 5). This is the second consecutive fall in both turnover and purchases, and is associated with the continuing fall in oil prices during 2015, as described in the chapter on Production.

**Figure 5: Distribution, turnover and purchases and resulting aGVA**

2008 to 2015



Source: Office for National Statistics

Within Distribution, Wholesale shows the greatest decreases with a 13.1% (£122.0 billion) fall in turnover and 15.0% (£125.5 billion) fall in purchases, driven by Other specialised wholesale (Group 46.7), which includes Wholesale of solid, liquid and gaseous fuels and related products, where businesses cited the fall in oil prices during 2015 as the reason for their fall in turnover and purchases (and the resulting rise in aGVA).

Motor Trades aGVA saw a slight growth between 2014 and 2015 of 14.9% (£4.2 billion) as a result of turnover increasing 7.4% (£12.5 billion) by a greater amount than purchases of 6.4% (£9.1 billion). The remaining increase in Distribution aGVA was a result of an increase in both turnover and purchases for Retail.

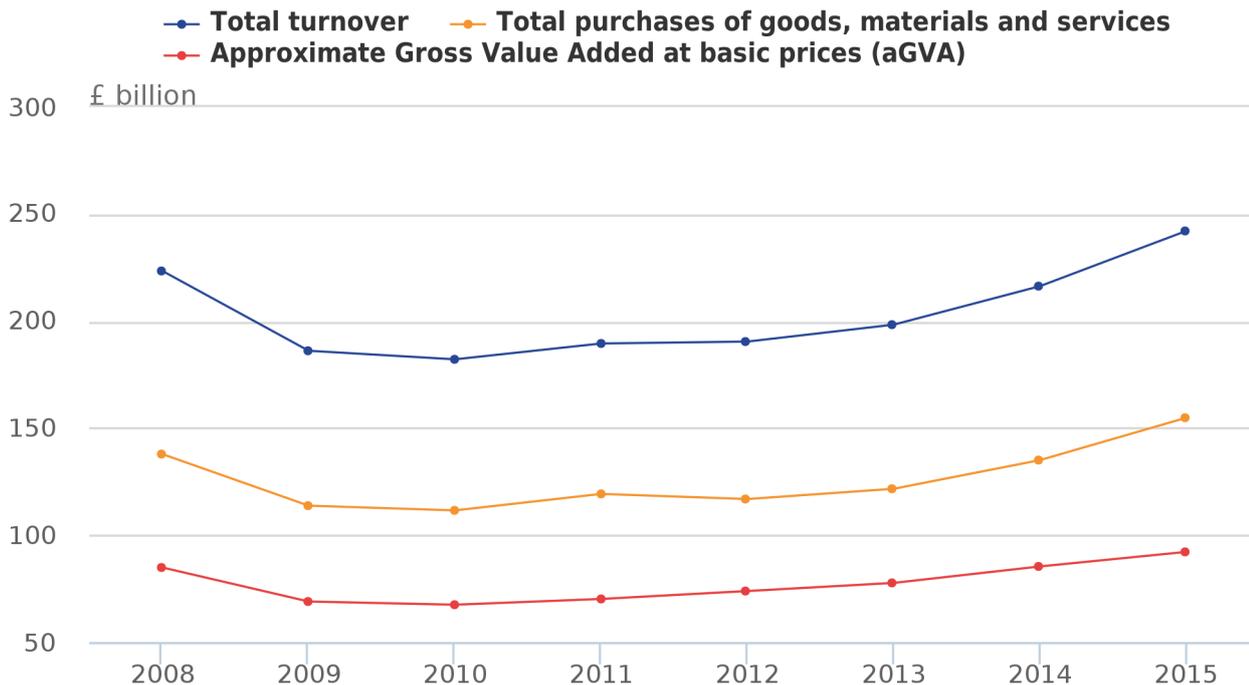
## 7 . Construction, Section F

The Construction sector contributed £92.1 billion, 7.9% of the estimated gross value added at basic prices (aGVA) total of £1,166.5 billion for the UK non-financial business economy in 2015.

Construction turnover increased by 12.0% (£25.9 billion) between 2014 and 2015, with purchases increasing by 14.7% (£19.8 billion). Together with a rise in stock levels, this resulted in a growth in aGVA of 8.0% (£6.8 billion). This was the fifth consecutive year of growth, see Figure 6.

**Figure 6: Construction, turnover and purchases and resulting aGVA**

2008 to 2015



Source: Office for National Statistics

In the previous couple of years the growth in Construction was mainly in Construction of buildings (Division 41), but in 2015 the growth was more evenly spread. Division 41 still saw the highest actual growth with a rise of 9.7% (£3.3 billion), but Civil engineering (Division 42), which experienced a slight downturn in 2014, this year saw the highest percentage rise in aGVA of 17.5% (£2.3 billion). Specialised construction trades (Division 43) also contributed with an increase in aGVA of 3.2% (£1.2 billion).

## 8 . Agriculture (part), Forestry and Fishing, Section A

The Annual Business Survey (ABS) covers only hunting, forestry, fishing and the support activities to agriculture.

Note that the values quoted below for Section A are in £ millions.

The part of Section A covered by ABS showed decreases in turnover of 11.3% (£559 million) and purchases of 15.2% (£469 million) between 2014 and 2015, which led to a fall of 5.3% (£108 million) in approximate gross value added at basic prices (aGVA). The main contributor to the aGVA decrease was Fishing (Division 03).

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 value of £8,495 million for 2015.

## 9 . Links to related statistics

Annual Business Survey (ABS) data was also recently published in our [Exporters and Importers, Great Britain, 2015](#) release.

# 10 . Quality and methodology

## 1. What's changed?

### Revisions

The 2014 data in this release has not been revised since it was last published in June 2016. Both the 2014 and 2015 data will be revised in our next release in June 2017.

### New Interactive Tree map

A [new style interactive tree map](#) replaces the previously published interactive wheel, to help explore which sectors contribute most to the UK non-financial business economy in 2015.

### Changes to the published values of capital expenditure

Up until 2014 the published Annual Business Survey (ABS) values of Total net capital expenditure, Total capital expenditure – acquisitions, and Total capital expenditure – disposals included a small element of Not Yet In Production (NYIP). NYIP businesses were deemed to be those that had been newly set up and had not yet been included in the IDBR and so could not be sampled.

Following a methodological review by our national accounts team it was decided that the practise of calculating an NYIP value did not add to the quality of the output and so it has stopped for 2015. Therefore our ABS published values for 2015 and later will no longer include an element of NYIP.

## 2. Definition of the survey

Our Annual Business Survey (ABS), formerly the Annual Business Inquiry part 2 (ABI/2), samples approximately 62,000 businesses in Great Britain from a population of over 2.0 million businesses in the sample frame on the Inter-Departmental Business Register (IDBR). The responding businesses provide information such as their turnover, purchases, employment costs, capital expenditure and stocks.

Approximately 10,000 businesses in Northern Ireland are sampled from a population of 49,000 by the Department of Finance Northern Ireland and contribute to the UK estimates.

Any reference to "businesses" relates to reporting units registered for VAT and/or PAYE on the IDBR. Some very small businesses (those without employees and with turnover below the tax threshold) will therefore be excluded. Data comparing [registered and unregistered businesses in the UK](#) are published by the Department for Business, Energy Innovation and Industrial Strategy (BEIS). An introduction to the [Inter-Departmental Business Register](#) (IDBR) can be found on our website.

Visit the [ABS webpage](#) for more in-depth information about the ABS, plus the latest news on survey changes and developments.

An [ABS Glossary](#) of terms is available to help interpret the technical descriptions and abbreviations used throughout this bulletin.

### 3. Links to our quality information

A [Quality and Methodology Information \(QMI\) report](#) for the ABS can be found on our website. The aims of the QMI report are to provide you with a greater understanding of our statistics, their uses and the methods that are used to produce them.

The ABS is a sample survey. As with all estimates obtained from sample surveys, ABS estimates are subject to various sources of error. The total error in a survey estimate is the difference between the estimate derived from the data collected and the true (unknown) value for the population. The total error consists of 2 main elements; the sampling error and the non-sampling error. The ABS was designed to minimise both these errors. The standard error is the estimated value of the sampling error. The estimate for a variable, plus and minus the standard error for the variable, gives a range in which the true unknown value for the population should lie. The closer the standard error is to 0, the more reliable the estimate.

The coefficient of variation is the standard error of a variable divided by the survey estimate, and it is used to compare the relative precision across surveys or variables. The closer the coefficient of variation is to 0, the more reliable the estimate. Standard errors and coefficients of variation for turnover, approximate gross value added at basic prices (aGVA), purchases, employment costs and capital expenditure are available in the [quality measures table](#) published with this release.

More detailed information on these and other quality and methodology issues is available in the [ABS Technical Report](#) published on the [ABS webpage](#).