Office for National Statistics

Statistical bulletin

UK index of services: Nov 2016

Monthly movements in gross value added for the services industries, which overall account for around 79% of UK gross domestic product (GDP).

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Next release:
22 February 2017

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1 . Main points

- This release shows that services output increased by 0.3% between October 2016 and November 2016, marking the sixth consecutive month-on-month positive services growth.

- The biggest contributor to this growth was business services and finance, which increased by 0.5%, contributing 0.22 percentage points to the overall increase.

- Services output increased by 3.2% in November 2016 compared with November 2015 and by 1.0% in the 3 months to November 2016 compared with June to August 2016.

- Growth in the 3 months to November 2016 was led by consumer-focused industries with retail sales, food and beverage services and travel agency services contributing over a quarter of the total increase in services.

2 . Things you need to know about this release

The monthly Index of Services provides a timely indicator of growth in the output of the services industries and is the largest contributor to the output approach to the measurement of GDP, accounting for 78.8% of UK GDP in 2013.

The IoS measures the UK output in: distribution, hotels and catering; transport, storage and communication; business services and finance; and government and other services. These data are used to produce seasonally adjusted estimates of output at chained volume measures (removing the effect of inflation). Unless otherwise stated, all estimates included in this release are based on seasonally adjusted data.

This November 2016 release contains revisions for October 2016 only. This means that we have incorporated additional data since this period.

Revisions can be made for a variety of reasons, the most common include:

- late responses to surveys and administrative sources

- forecasts being replaced by actual data

- revisions to seasonal adjustment factors, which are re-estimated every month and reviewed annually

This revisions period is consistent with the National Accounts revisions policy.

The UK Index of Services have been designated by the UK Statistics Authority as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

3 . Index of Services (IoS) main figures and the longer-term trend

Table 1 shows data for IoS and each of the main components for November 2016.

Table 1: Index of Services main figures, November 2016

UK   Percentage Change

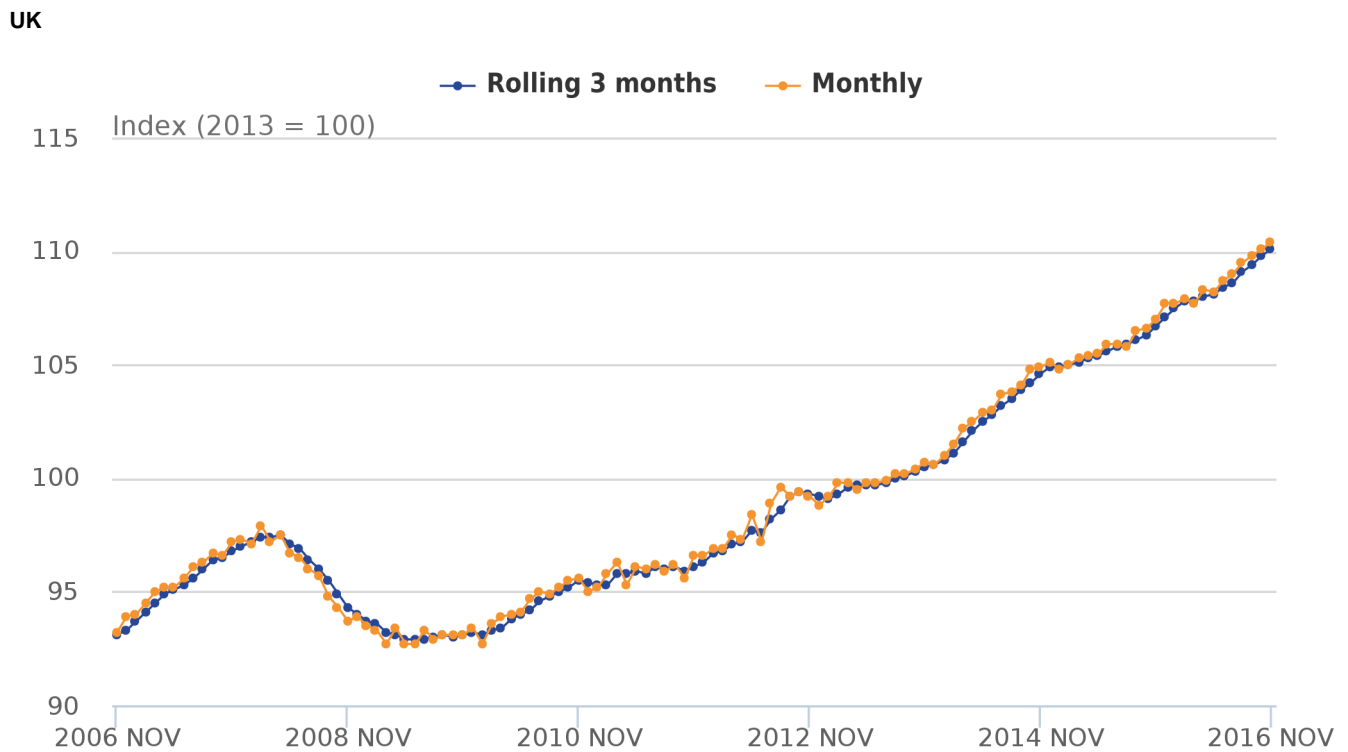| Description	Percentage of Services	Index number (2013 = 100)	Most recent month on a year earlier	Most recent 3 months on a year earlier	Most recent month on previous month	Most recent 3 months on previous 3 months
Index of Services	100.0	110.4	3.2	3.2	0.3	1.0
Distribution, hotels and restaurants	17.3	117.6	5.9	5.7	0.1	2.1
Transport, storage and communication	13.5	111.5	3.1	3.8	-0.1	0.8
Business services and finance	40.3	111.4	3.3	3.0	0.5	0.9
Government and other services	29.0	104.3	1.3	1.4	0.2	0.3

Source: Office for National Statistics

Notes:

1. Components may not sum to 100% due to rounding.

Figure 1 shows the seasonally adjusted index time series for the IoS over the past decade; this shows continued services growth following the economic downturn. The monthly IoS series can be volatile and therefore we recommend that monthly growths are viewed in the context of the longer-term trend and 3-month on 3-month growth rates.

Figure 1: Seasonally adjusted Index of Services, November 2006 to November 2016
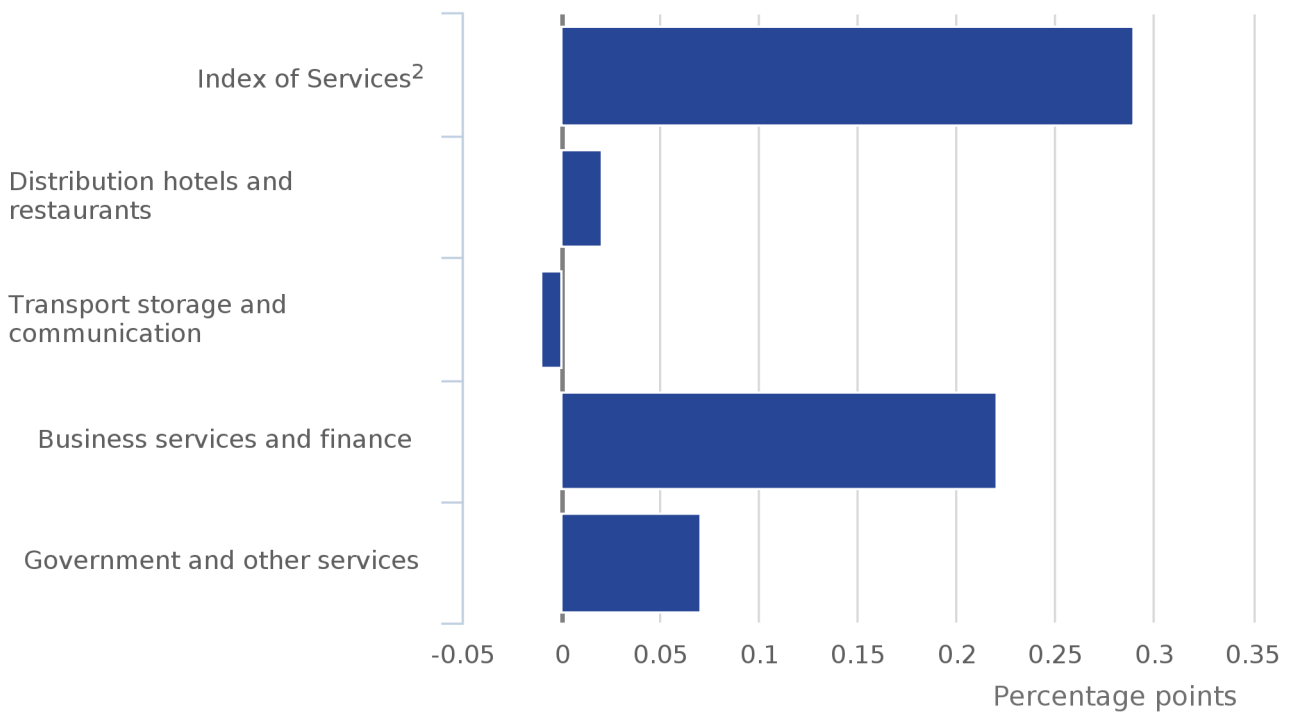
UK

Source: Office for National Statistics

4 . Month-on-month services growth maintained in November 2016

As seen in Figure 2, during November 2016, services output increased by 0.3% following the same rise in output of 0.3% during October 2016, marking the sixth consecutive month-on-month positive services growth.

Figure 2: Contributions[1] to growth in services between October 2016 and November 2016

UK

Source: Office for National Statistics

Notes:

1. Individual contributions may not sum to the total due to rounding.

2. Percentage change.

Of the 4 main components of the services industries, 3 increased in the most recent month compared with the previous month. In order of their contribution to growth (shown in Figure 2):

- business services and finance increased by 0.5%

- government and other services increased by 0.2%

- distribution, hotels and restaurants increased by 0.1%

Within the business services and finance component, other professional service activities made the biggest contribution, recording month-on-month growth of 1.8%, the highest since September 2015. Of the industries that make up this sub-component, architectural and engineering activities recorded growth of 3.8%, a high that's not been surpassed since January 2014. It should be noted that output in this industry can be quite volatile on a monthly basis, possibly reflecting some of the project-based nature of the activity in this industry.
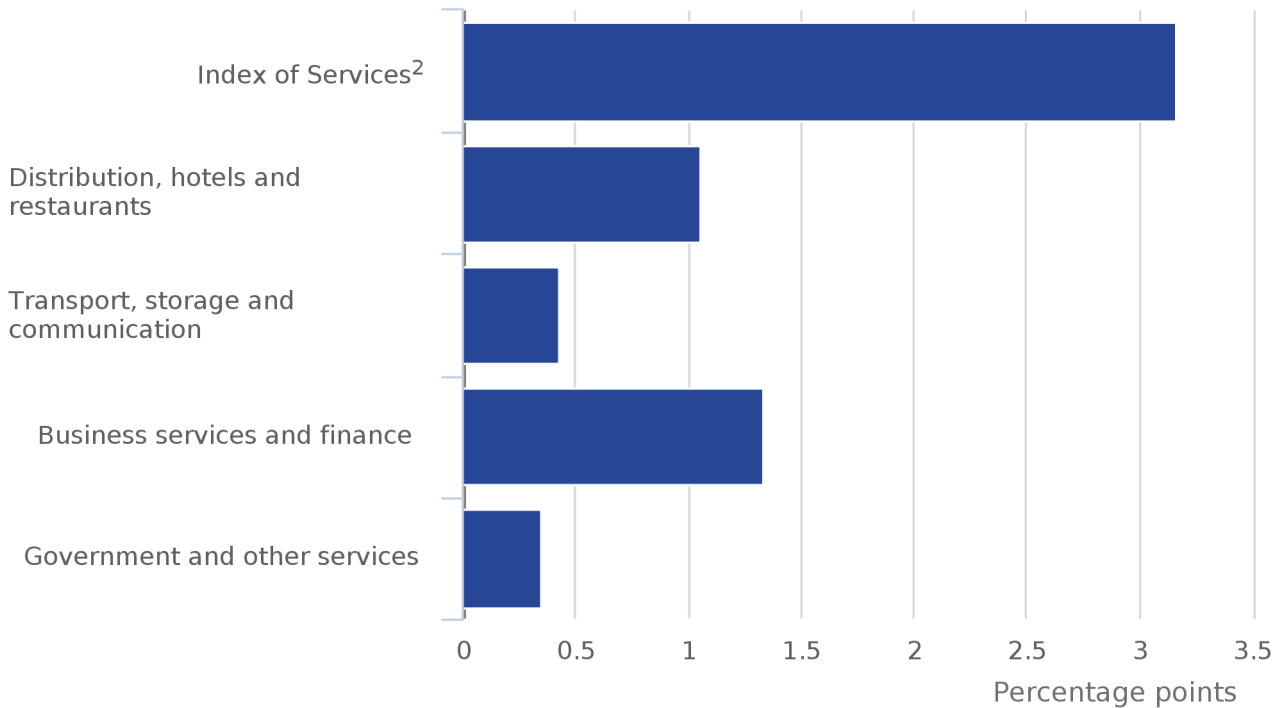
In contrast, transport, storage and communication decreased by 0.1%, continuing a broadly flat performance since September 2016, following notable growth in June 2016 and July 2016.

5 . Services grew by 3.2% between November 2015 and November 2016

Figure 3 shows services output increased by 3.2% in November 2016 compared with November 2015.

Figure 3: Contributions[1] to growth in services between November 2015 and November 2016

UK

Source: Office for National Statistics

Notes:

1. Individual contributions may not sum to the total due to rounding.

2. Percentage change.

All 4 of the main components of the services industries increased in the most recent month compared with the same month last year. In order of their contribution to growth:

- business services and finance increased by 3.3%

- distribution, hotels and restaurants increased by 5.9%

- transport, storage and communication increased by 3.1%

- government and other services increased by 1.3%

At a more detailed level a number of industries provided notable contributions:
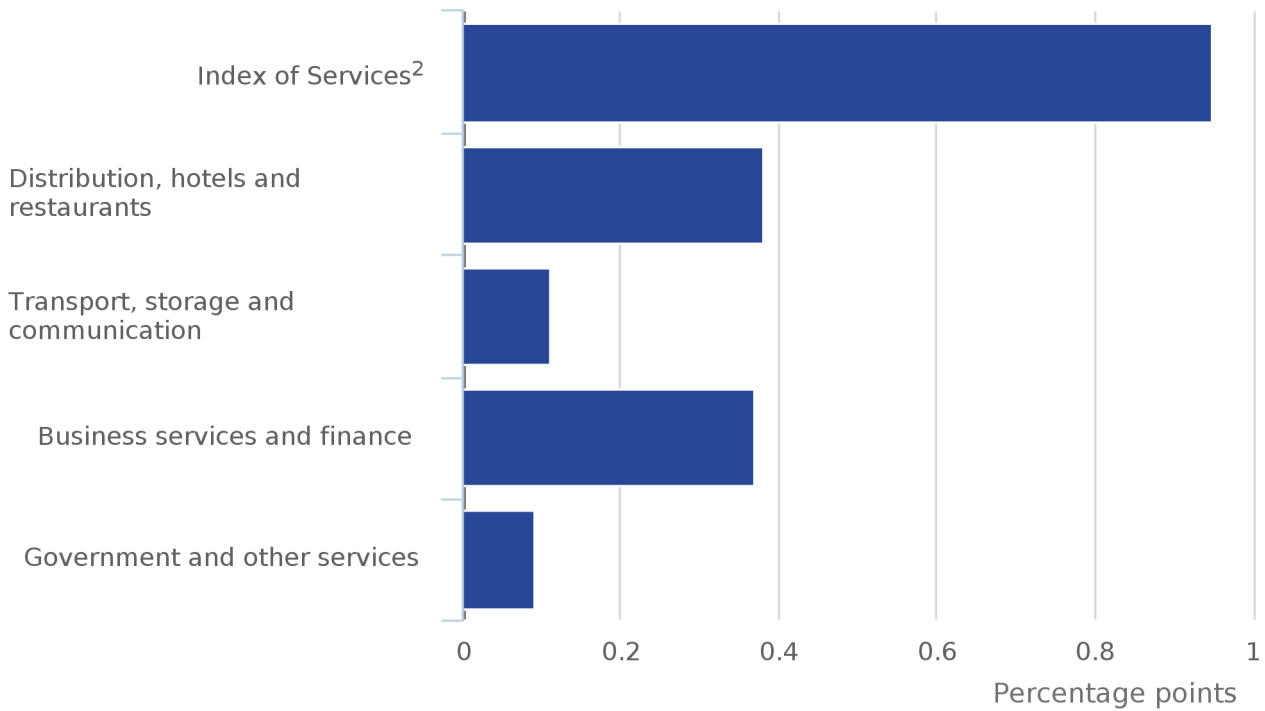
- retail sales contributed 0.41 percentage points to growth, highlighting the continued strength of consumer spending

- computer programming contributed 0.27 percentage points to growth, reflecting in part its large weight in the IoS as well as growth of 7.7%

6 . Consumer-focused industries lead 3-month on 3-month services growth

Figure 4 shows services output increased by 1.0% during the most recent 3 months compared with the previous 3 months along with the contributions of each of the main components. This continues the trend of positive growth in this measure since March 2013.

Figure 4: Contributions[1] to growth in services during most recent 3 months compared with previous 3 months

UK

Source: Office for National Statistics

Notes:

1. Individual contributions may not sum to the total due to rounding.

2. Percentage change.

In the main components:

- distribution, hotels and restaurants increased by 2.1%

- business services and finance increased by 0.9%

- transport, storage and communication increased by 0.8%

- government and other services increased by 0.3%

At a more detailed level, retail trade, a sub-component of the distribution, hotels and restaurants component, increased by 2.1% over this period, contributing 0.16 percentage points to growth. Wholesale trade, and food and beverage service activities increased also by 2.1% and 2.7%, contributing 0.09 and 0.07 percentage points respectively. In addition to the growth in the consumer-focused retail sales, and food and beverage services industries, consumer strength was also seen in travel agency services, a component of transport, storage and communication.

More detail on individual components can be found in the Index of Services publication tables dataset. The tables also provide information on the growth for the 3 months ending in November 2016 compared with the 3 months ending November 2015.

7 . What is the contribution of services to the latest GDP estimate?

With a weight of 78.8% in 2013, the services industries are the largest industrial grouping in the output approach to measuring gross domestic product (GDP).

Also published today is the Gross Domestic Product preliminary estimate reporting that GDP in Quarter 4 (Oct to Dec) 2016, was estimated to have increased by 0.6% compared with the previous quarter. The services aggregate was the sole contributor to the quarter-on-quarter percentage change in GDP to 2 decimal places. Production, construction and agriculture each contributed 0.00 percentage points to the headline figure.

8 . Links to related statistics

Methods and sources

The GDP(O) methods and sources pages provide more information on the data that underpin these statistics; of particular note is the GDP(O) source catalogue.

International comparisons

International comparison with the Index of Services is difficult, as most comparable economies don't produce equivalent estimates. Eurostat turnover in services estimates are not comparable with the IoS, as they exclude the wholesale and retail trade; furthermore, most of the estimates are only available quarterly. The USA also produces services output estimates, but only on a quarterly basis, with a 4-month lag time. Japan has a direct equivalent of the IoS, but the estimates are not seasonally adjusted. The closest equivalent estimates are from Canada, which produces a monthly output estimate of GDP with a breakdown by industry (including an aggregate for services). There are also comparable quarterly estimates from Sweden and Ireland.

9 . What's changed in this release

This is the first IoS bulletin released as part of the new economic theme days. As such this bulletin now follows a more streamlined format and some tables such as response rates and revisions, previously found in the background notes, can now be found in the main datasets.

In response to feedback from our users a new table has been added to the main datasets. This table displays monthly chained volume indices for services and its main components to 4 decimal places.

Monthly economic commentary was published alongside this release, presenting new analysis on the latest economic data.

We welcome your feedback on this new style bulletin via our short survey.

10 . Quality and methodology

The monthly Index of Services was developed to provide a timely indicator of growth in the output of services industries, at constant prices for the UK. The Index of Services is an important component of monthly output (GDP (O)), representing about 78.8% of UK GDP as of 2013. The IoS shares the exact same industry coverage as the corresponding quarterly series within GDP(O).

The Index of Services datasets contain additional material, including:

- Monthly Business Survey response rates

- publication tables

- revisions triangles

- lower level time series data

The Index of Services Quality and Methodology Information document contains important information on:

- the strengths and limitations of the data

- the quality of the output: including the accuracy of the data and how it compares with related data

- uses and users

- how the output was created