

Statistical bulletin

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

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



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# 1 . Main points

- In 2015, the approximate gross value added at basic prices (aGVA) generated by local activity of the UK non-financial business economy was estimated to be £1,146.2 billion; out of the 12 UK regions, 11 experienced growth in aGVA in 2015 compared with 2014.
- The North East was the only region showing a decrease in aGVA of 1.1% in 2015 compared with 2014; the main contribution to the fall was from the production sector falling 12.2% (£1.1 billion).
- The highest contributions to local level UK aGVA in 2015 came from London, the West Midlands and the South East; the region with the largest aGVA growth between 2014 and 2015 was London, with a rise of 5.0% (£13.6 billion).
- London contributed most to the non-financial service sector representing approximately one-third of its local level aGVA; London also had the largest value contribution to the sector's growth in aGVA between 2014 and 2015 with an increase of 4.6% (£9.6 billion).
- In the production sector Scotland continued to contribute most to local level aGVA in 2015 despite a fall in aGVA between 2014 and 2015 of 8.9% (£2.7 billion); this was due to the Extraction of crude oil industry where continuing falls in commodity prices were noted as a factor.

## 2 . Things you need to know about this release

The estimates contained in this release are taken from the Annual Business Survey Regional results and provide the size and growth of the UK non-financial business economy for 2015, based on the local activity of businesses as measured by the [Annual Business Survey \(ABS\)](#) published on 9 June 2017. It is the main source for understanding the detailed structure, conduct and performance of businesses across the UK at a regional level.

The ABS covers only the UK non-financial business economy, which accounts for approximately two-thirds of the UK economy in terms of gross value added. The industries covered are:

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

Please note that the non-financial services excludes financial and insurance, public administration and defence, public provision of education and health, and all medical and dental practice activities. Part of agriculture excludes crop and animal production.

Data for the insurance and reinsurance industries are currently collected by the ABS and this experimental series covers a small part of the financial and insurance sector. However, since November 2013, it has been removed from the ABS release at both the National and Regional level due to ongoing volatility while a more detailed quality assurance assessment is undertaken. As such, results in this release cover the UK non-financial business economy rather than the UK business economy. This does not affect other industries.

Regional ABS estimates are produced by apportioning the survey return from each reporting unit to its individual sites, and then summing them to the regional level. Industry breakdowns at the UK level in the [national release](#) will therefore not necessarily match those in the corresponding regional release. More information can be found under regional apportionment in [5.8.2 of the ABS Technical Report](#).

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).

ABS estimates are subject to revisions. Estimates in this release show revisions for the UK non-financial business economy compared with the previous [2014 estimate](#) published on the 21 July 2016. There were downward revisions of 3.9% (£140.8 billion) in turnover, 5.5% (£135.3 billion) in purchases and 0.4% (£4.4 billion) in aGVA. The revisions to 2014 were primarily the result of methodological changes within the distribution sector.

### **3 . How has aGVA grown across the regions in 2015?**

In 2015, approximate gross value added (aGVA) of the UK non-financial business economy at a local level was estimated to be £1,146.2 billion. This was an increase of 5.4% (£59.0 billion) in 2015 compared with an increase of 8.5% (£85.3 billion) in 2014 and a continuation of the growth seen between 2009 and 2014, with the increase in 2014 being the largest over the period.

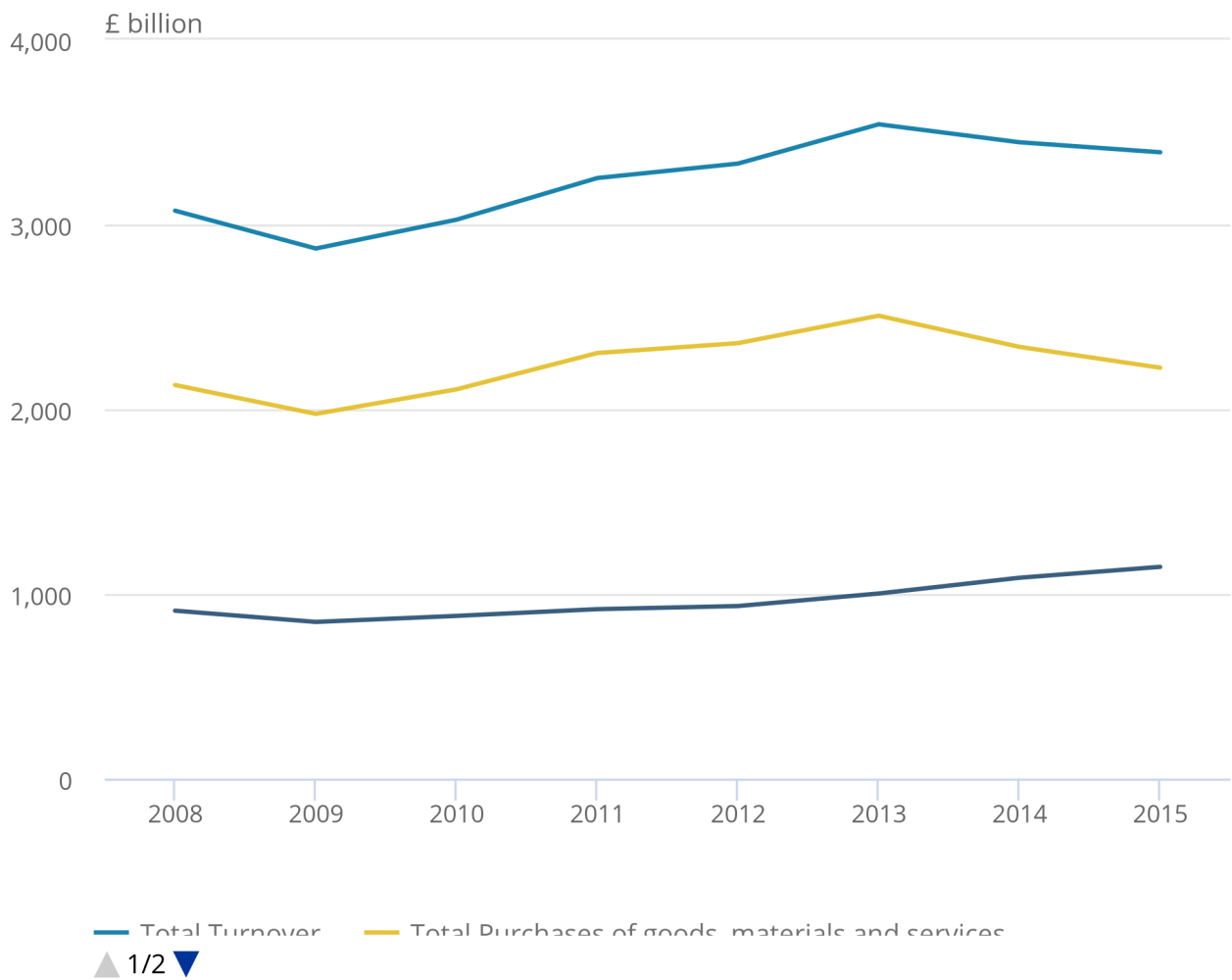
The main components of aGVA are turnover and purchases. Figure 1 shows the levels of total aGVA, turnover and purchases from 2008 to 2015. The level of turnover increased gradually between 2009 and 2013 but has fallen in the most recent years. The level of purchases followed a similar path until 2013 but has since declined more sharply; this has resulted in the level of aGVA increasing in the latest period.

Figure 1: UK non-financial business economy; local level turnover, purchases and resulting aGVA

2008 to 2015

Figure 1: UK non-financial business economy; local level turnover, purchases and resulting aGVA

2008 to 2015



Source: Office for National Statistics

Source: Office for National Statistics

Whilst aGVA for the UK has grown the industry composition of aGVA across the regions in the UK varies considerably. The non-financial service sector contributes the most to each region's aGVA, whilst its contribution to each region's total aGVA varies from just over one-third in Ireland to around three-quarters in London.

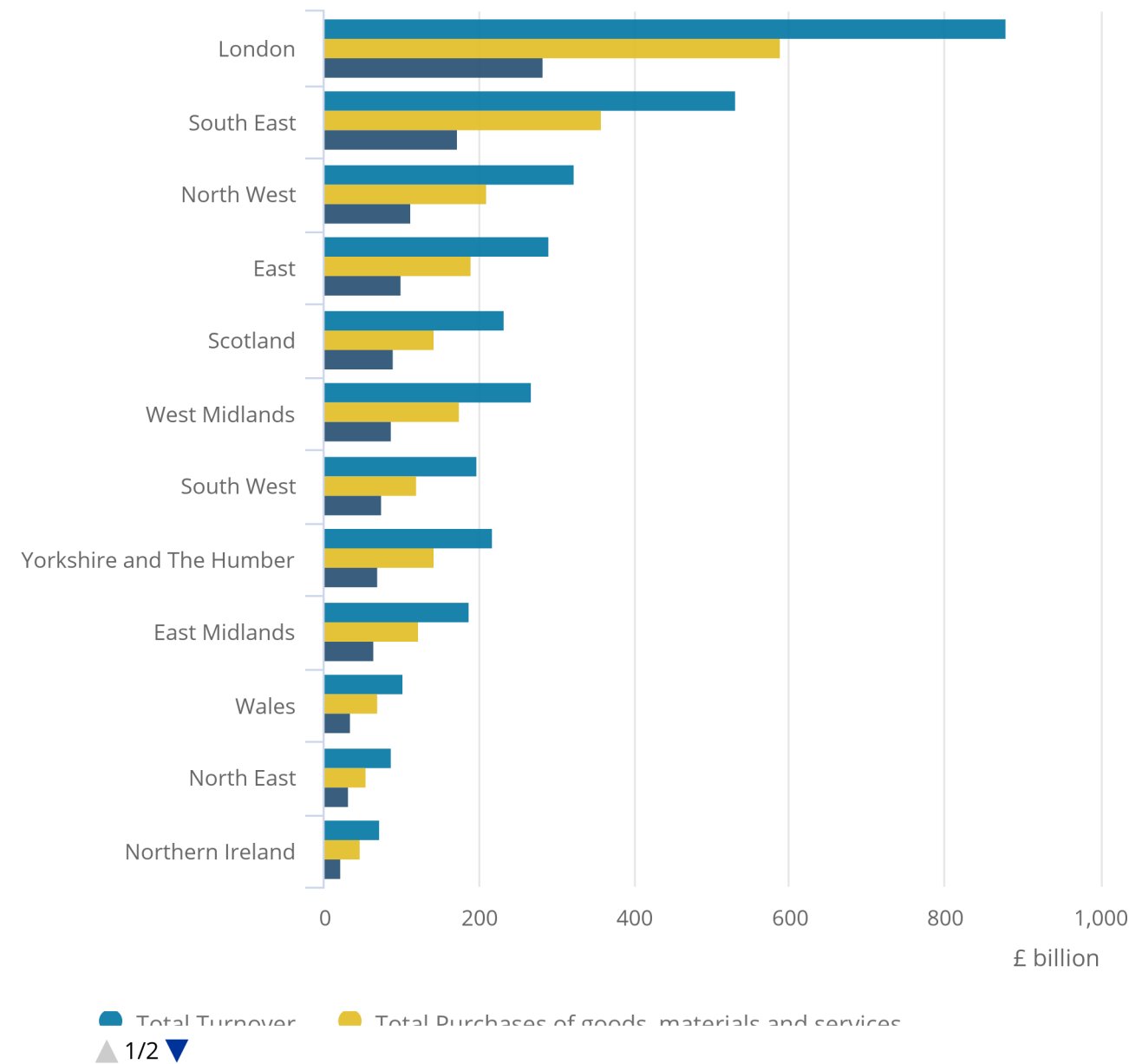
The production sector in 9 of the 12 [NUTS1 \(Nomenclature of Units for Territorial Statistics\) regions](#) is the second largest contributor to aGVA, varying between approximately one and two-fifths contribution within each region. The Distribution sector is the second largest in the remaining three regions.

**Figure 2: UK non-financial business economy; local level turnover, purchases and resulting aGVA by NUTS 1 region**

2015

Figure 2: UK non-financial business economy; local level turnover, purchases and resulting aGVA by NUTS 1 region

2015



Source: Office for National Statistics

Source: Office for National Statistics

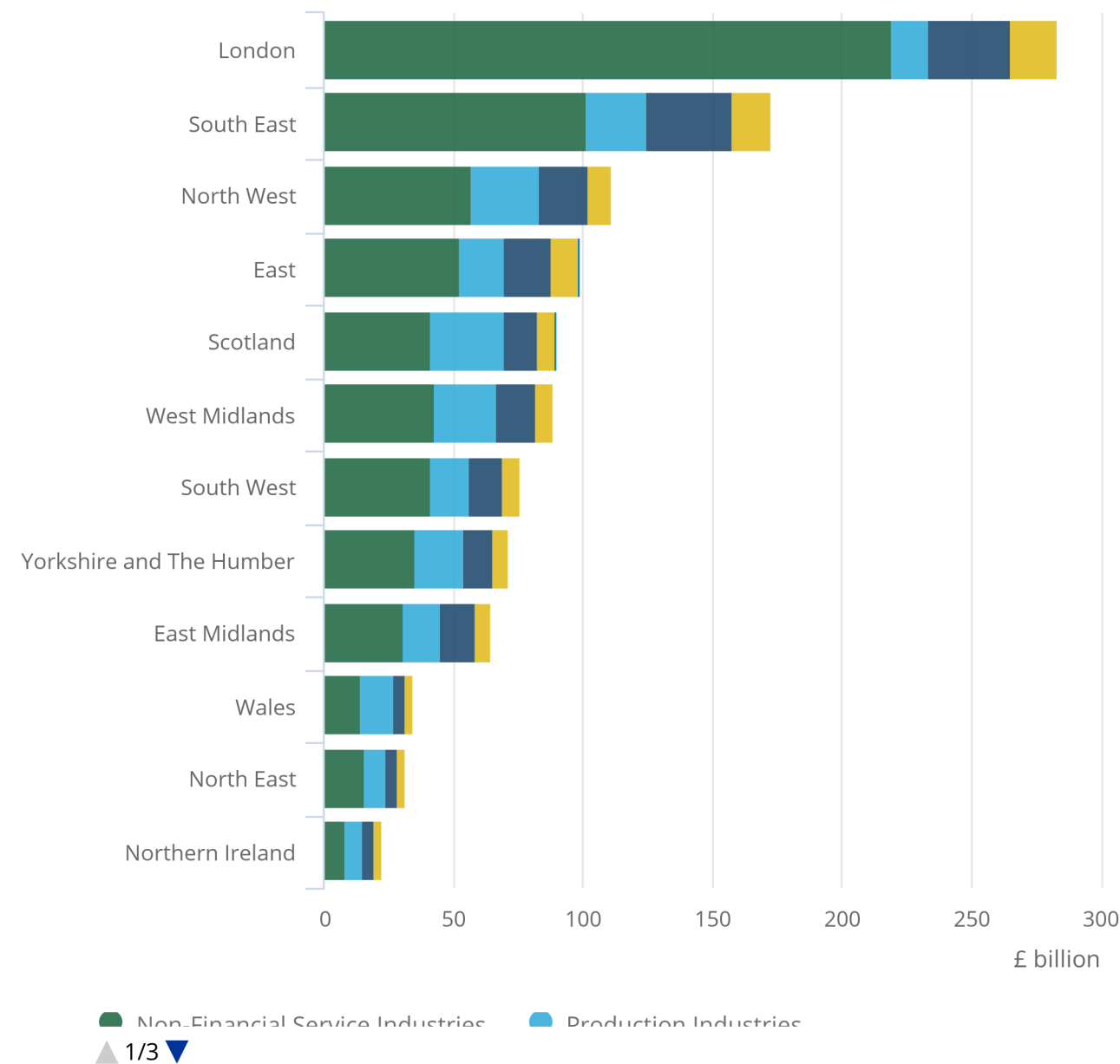
Figure 2 shows that the largest three regions in terms of total aGVA, turnover and purchases were London, the South East and the North West; together they contributed approximately half of the total aGVA, turnover and purchases in the UK non-financial business economy.

Figure 3: UK non-financial business economy<sup>1</sup>, local level aGVA at NUTS 1 region and sector ranked by total aGVA contribution

2015

Figure 3: UK non-financial business economy<sup>1</sup>, local level aGVA at NUTS 1 region and sector ranked by total aGVA contribution

2015



Source: Office for National Statistics

Source: Office for National Statistics

Notes:

1. The ABS covers only the UK Non-Financial Business Economy which accounts for approximately two thirds of the UK economy in terms of Gross Value Added.

The industries covered are:

- Agriculture (support activities SIC 01.6 only), forestry and fishing - Section A
- Production industries - Sections B-E
- Construction industries - Section F
- Distribution industries - Section G
- Non-Financial Service industries - Sections H, I, J, L, M, N, P (private provision only), Q (private provision only in SIC 86.1 and 86.9), R and S

Figure 3 shows the aGVA contribution of each industrial sector to the UK non-financial business economy within each region for 2015. Non-financial services is the dominant industrial sector within each of the 12 regions.

Out of the 12 UK regions in the UK non-financial business economy, 11 experienced growth in aGVA in 2015 compared with 2014. The only decrease in aGVA came from the North West with a fall of 1.1% (£0.3 billion).

**Figure 4a: UK non-financial business economy; percentage growth in local level aGVA at NUTS 1 region**

2014 to 2015

Figure 4a: UK non-financial business economy; percentage growth in local level aGVA at NUTS 1 region

2014 to 2015



Source: Office for National Statistics

**Source: Office for National Statistics**

Figure 4a shows the aGVA percentage growth in local level aGVA for each of the 12 regions between 2014 and 2015. The largest percentage increase in aGVA is from Northern Ireland with a rise of 14.4%; in terms of a value increase (refer Figure 4b) the region ranks ninth across regions with a rise of £2.8 billion.



Figure 4b shows the aGVA value growth in local level aGVA. The largest value increase was from London which saw a rise of £13.6 billion; the region ranks seventh in terms of its percentage increase which rose by 5.0%.

#### Figure 4b: UK non-financial business economy; value growth in local level aGVA at NUTS 1 region

2014 to 2015

#### Figure 4b: UK non-financial business economy; value growth in local level aGVA at NUTS 1 region

2014 to 2015



Source: Office for National Statistics

Source: Office for National Statistics

## 4 . Growth in non-financial services for all regions in 2015

The non-financial service sector contributed £659.7 billion, over half (57.6%) of the approximate gross value (aGVA) total of £1,146.2 billion in 2015 to the UK non-financial business economy at the local level.

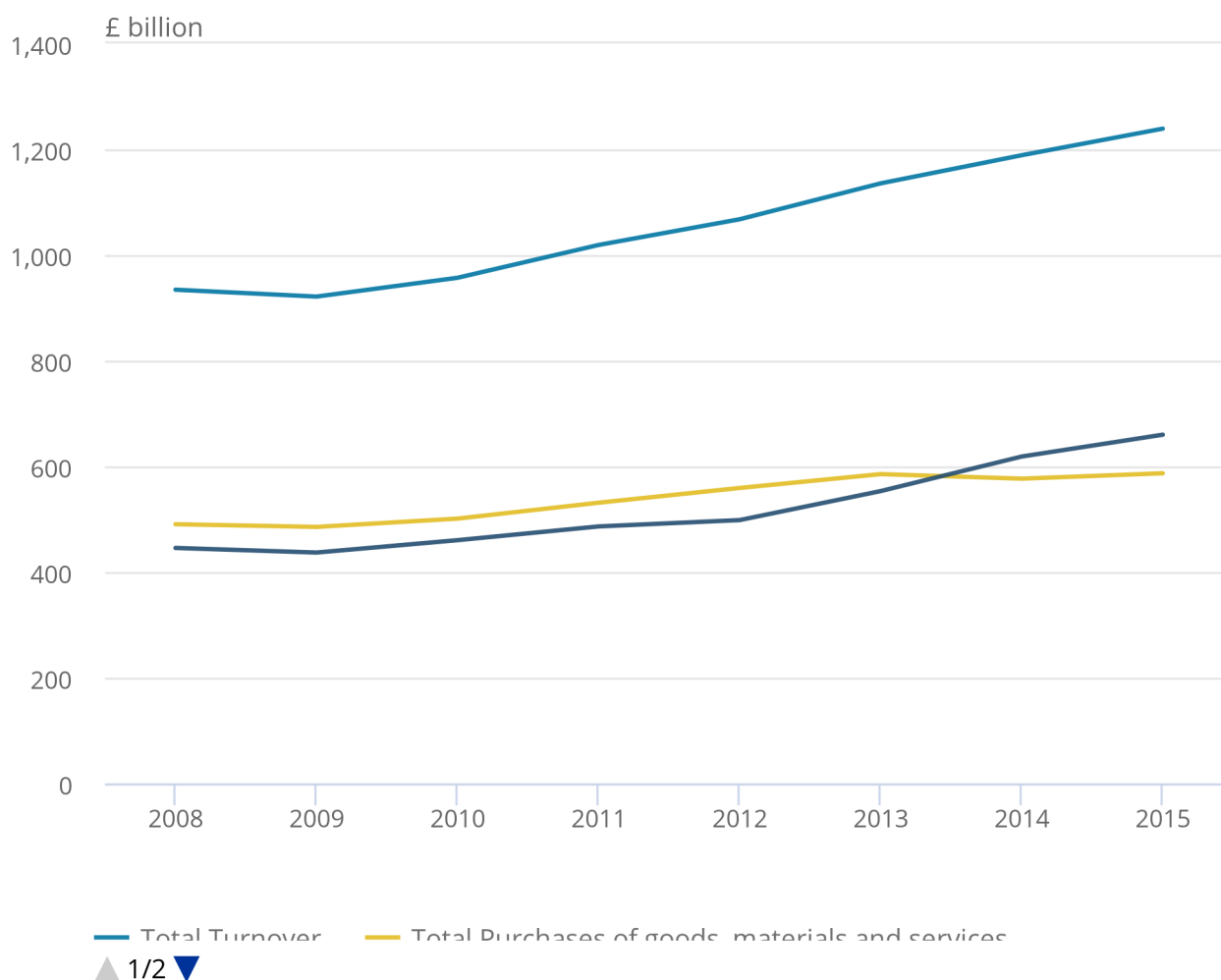
Figure 5 shows that following the period of the economic downturn in 2008, this is the sixth consecutive year of growth in aGVA for this sector at the local level. Between 2014 and 2015, turnover within this sector increased at a higher rate than purchases; 4.2% (£50.3 billion) compared with 1.8% (£10.2 billion). This resulted in an increase in aGVA of 6.7% (£41.3 billion).

**Figure 5: Non-financial services<sup>1</sup>; local level turnover, purchases and resulting aGVA**

2008 to 2015

Figure 5: Non-financial services<sup>1</sup>; local level turnover, purchases and resulting aGVA

2008 to 2015



Source: Office for National Statistics

Source: Office for National Statistics

Notes:

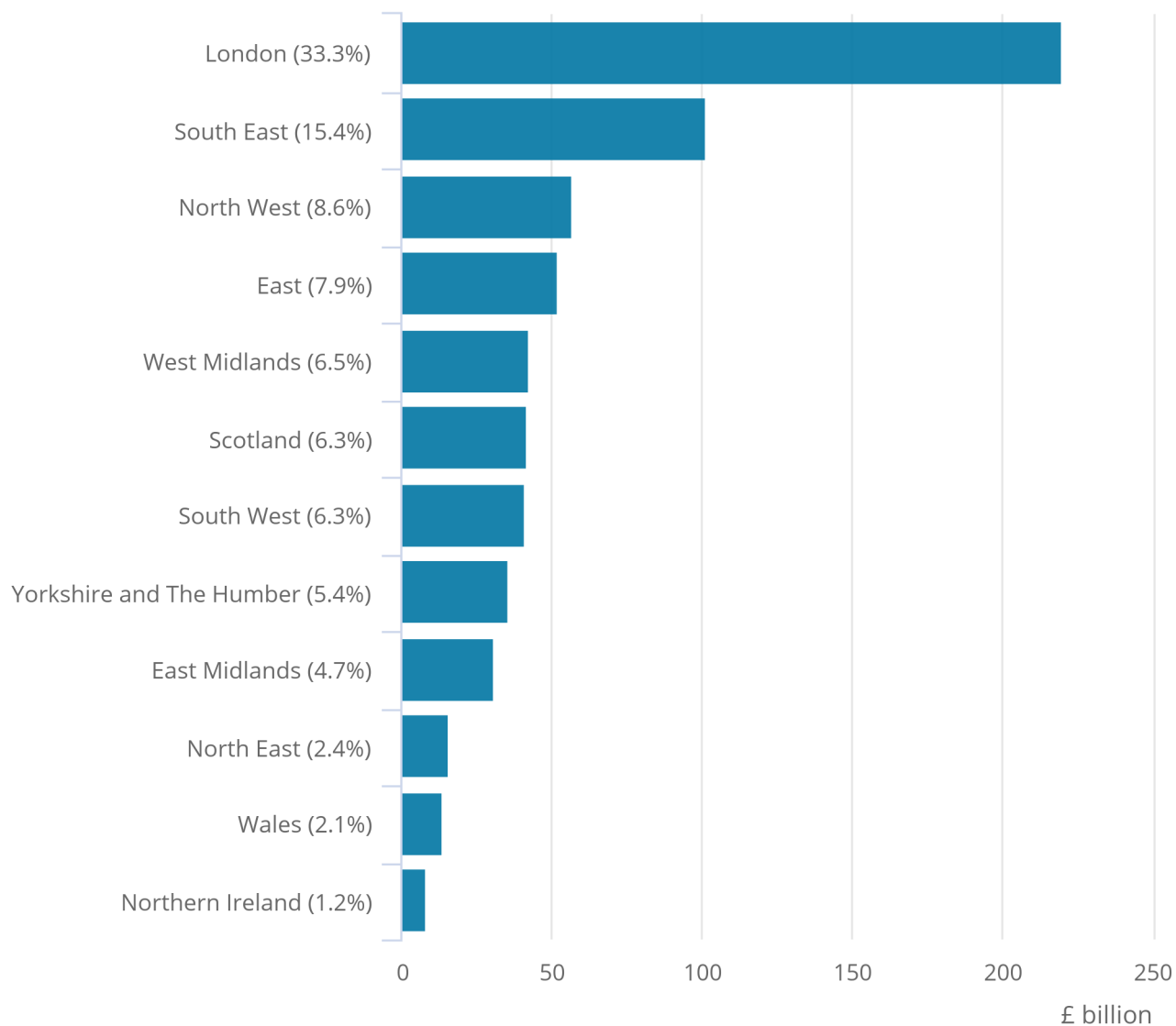
1. Non-Financial Service industries - Sections H, I, J, L, M, N, P (private provision only), Q (private provision only in SIC 86.1 and 86.9), R and S (Excludes Financial and insurance; Public administration and defence; Public provision of Education; Public provision of Health and all medical and dental practice activities).

**Figure 6: Non-financial services<sup>1</sup>; local level aGVA by NUTS 1 region**

2015

Figure 6: Non-financial services<sup>1</sup>; local level aGVA by NUTS 1 region

2015



Source: Office for National Statistics

Source: Office for National Statistics

**Notes:**

1. Non-Financial Service industries - Sections H, I, J, L, M, N, P (private provision only), Q (private provision only in SIC 86.1 and 86.9), R and S (Excludes Financial and insurance; Public administration and defence; Public provision of Education; Public provision of Health and all medical and dental practice activities).

Figure 6 shows the aGVA contribution for each region within the non-financial service sector. The largest contribution to aGVA comes from London, which contributed 33.3% (£219.7 billion) to the UK non-financial service sector in 2015, followed by the South East with a contribution of 15.4% (£101.5 billion). Northern Ireland contributed the lowest aGVA to the non-financial service sector with 1.2% (£8.1 billion).

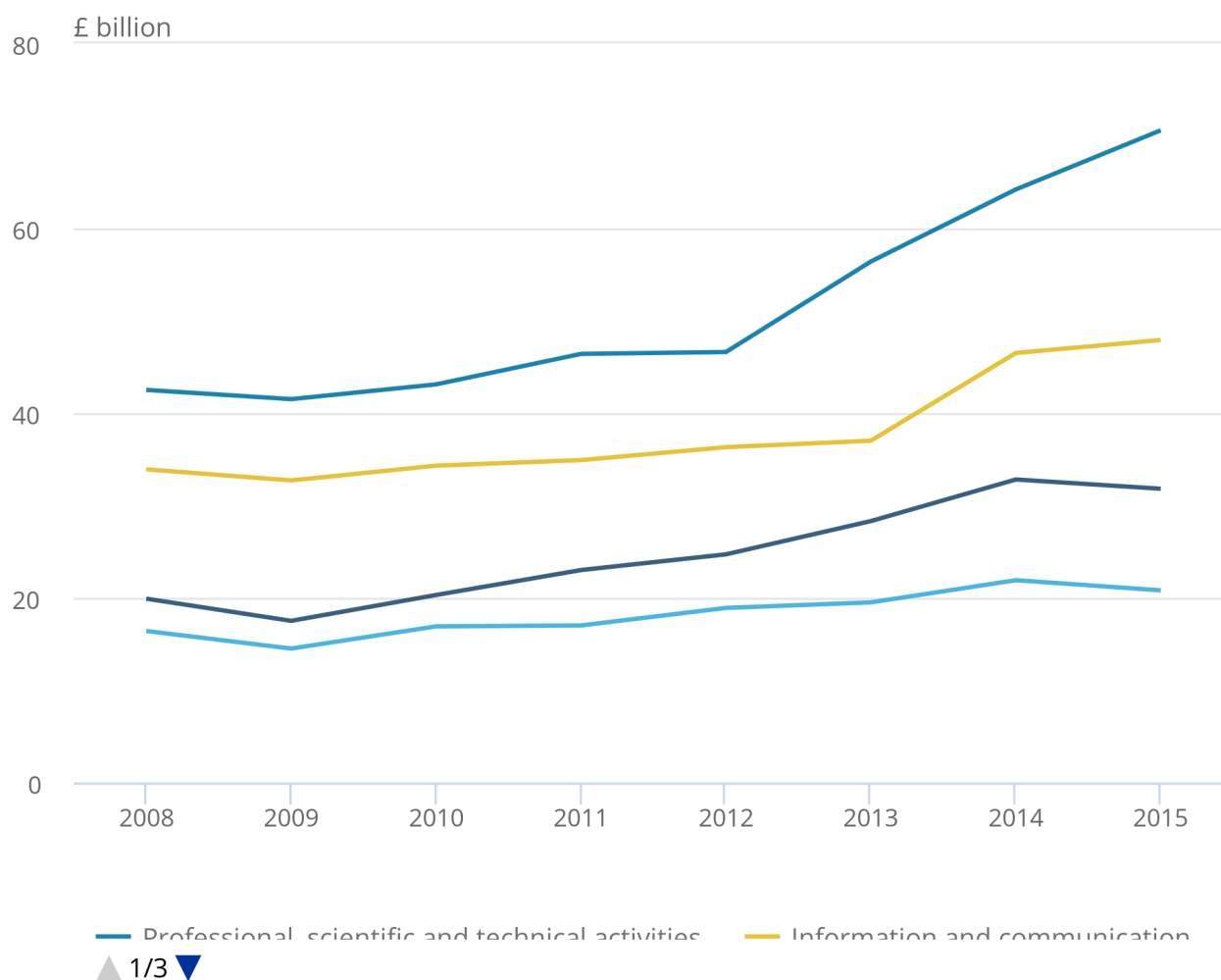
## London

**Figure 6a: London non-financial services; local level aGVA by largest contributing sections in 2015**

2008 to 2015

Figure 6a: London non-financial services; local level aGVA by largest contributing sections in 2015

2008 to 2015



Source: Office for National Statistics

Source: Office for National Statistics

Figure 6a shows the four largest industries which contributed to growth in London's non-financial services aGVA.

Section M, Professional scientific and technical services, contributed 32.2% (£70.6 billion) to London's non-financial services aGVA in 2015. Within this section, turnover increased by 8.7% (£9.2 billion) and purchases by 7.1% (£3.0 billion), resulting in growth of aGVA of 10.1% (£6.5 billion) between 2014 and 2015. This is a broad section, which covers a range of industries from legal and accounting activities to advertising and market research, and veterinary services. The divisions having the largest impact on aGVA growth (with a combined increase of £6.2 billion) were:

- legal and accounting activities
- advertising and market research
- activities of head offices, management consultancy activities

Section J, Information and communication, contributed 21.8% (£47.9 billion) to London's non-financial service aGVA in 2015. The division with the largest impact on growth in aGVA was programming and broadcasting activities. Section J includes the development of mobile phone applications and with the increase in accessing the internet using mobile phone devices, this activity has increased in importance in recent years.

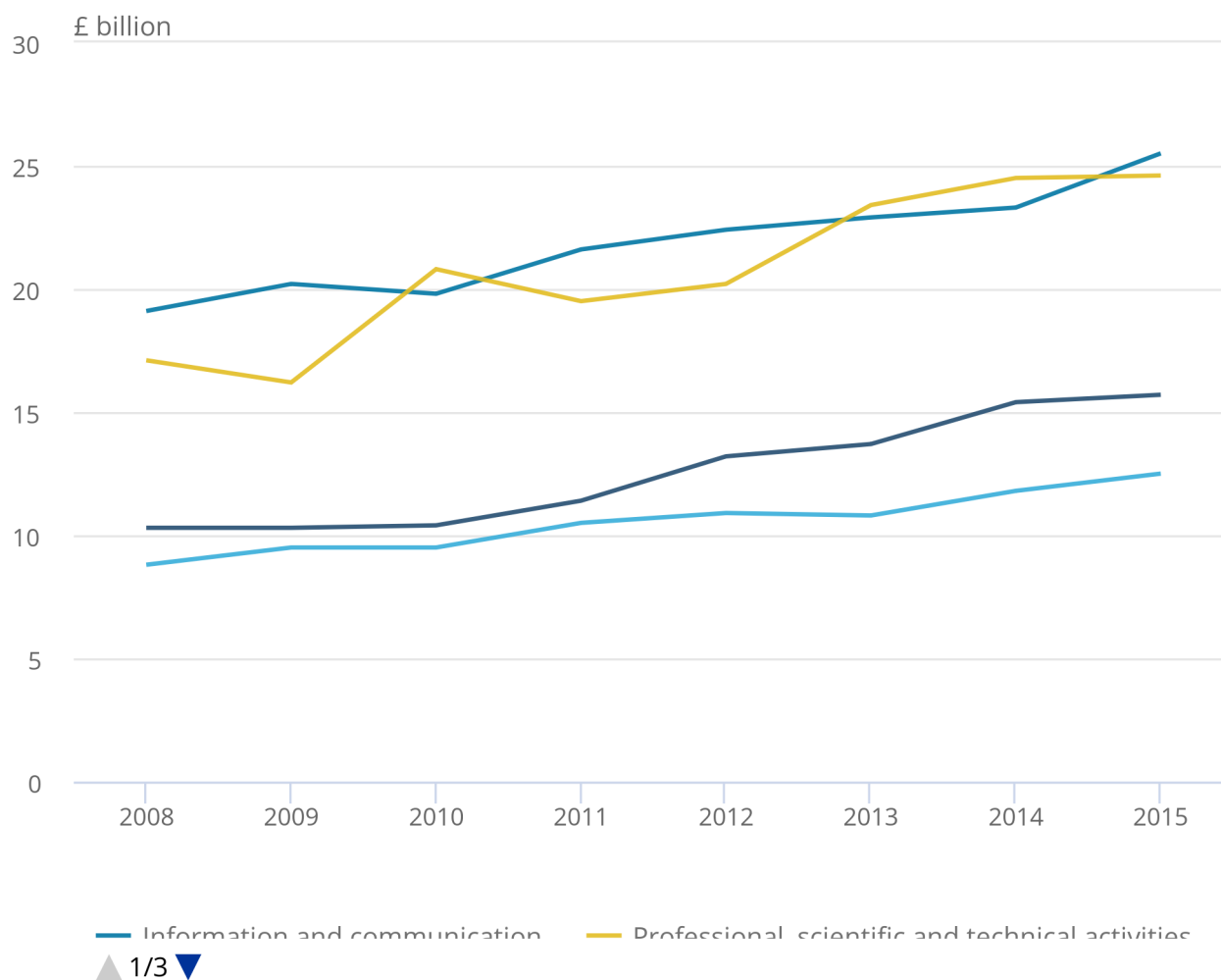
## South East

Figure 6b: South East non-financial services; local level aGVA by largest contributing sections in 2015

2008 to 2015

Figure 6b: South East non-financial services; local level aGVA by largest contributing sections in 2015

2008 to 2015



Source: Office for National Statistics

Source: Office for National Statistics

The second-largest contribution to the growth of non-financial services aGVA in 2015 came from the South East with a contribution of 15.4% (£101.5 billion). Figure 6b shows the four largest industries which contributed to the South East's non-financial services aGVA.

The South East region shows a similar picture to London where the four largest sections of the economy that contributed the most to its overall aGVA in 2015 are the same. Section J, Information and communication contributed the most representing 25.1% (£25.5 billion) of the South East's non-financial services aGVA in 2015. Within this section, turnover increased by 6.6% (£2.7 billion) and purchases by 3.7% (£0.7 billion), resulting in an aGVA growth of 9.2% (£2.2 billion) between 2014 and 2015. The divisions having the largest impact on aGVA growth with a combined increase of £2.1 billion were:

- computer programming, consultancy and related activities
- motion picture, video and television programme production, sound recording and music publishing activities.

## **5 . The production picture**

The production sector in 2015 contributed 18.3% (£209.6 billion), approximately one fifth of the estimated gross value added (aGVA) total of £1,146.2 billion to the UK non-financial business economy at the local level. This represented a fall in aGVA of 2.1% (£4.6 billion) between 2014 and 2015.

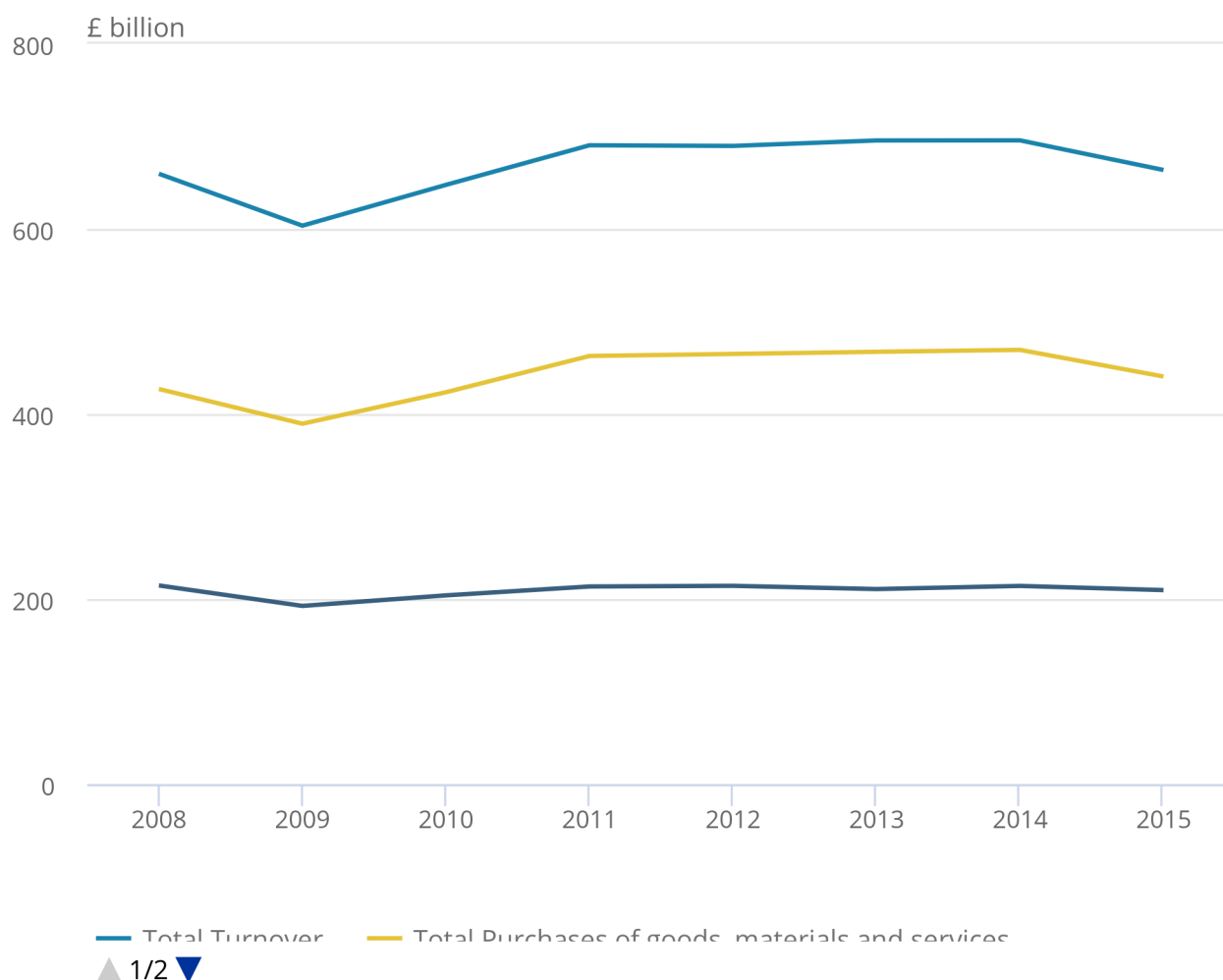
Both turnover and purchases decreased between 2014 and 2015; turnover by 4.6% (£32.0 billion) and purchases by 6.1% (£28.8 billion). The fall in turnover and change in stocks over movements in purchases, led to the fall in aGVA. This is represented in Figure 7, which shows that the levels of turnover, purchases and aGVA over the series have not yet returned the production sector aGVA to the level seen prior to the economic downturn.

**Figure 7: Production; local level turnover, purchases and resulting aGVA**

2008 to 2015

Figure 7: Production; local level turnover, purchases and resulting aGVA

2008 to 2015



Source: Office for National Statistics

Source: Office for National Statistics

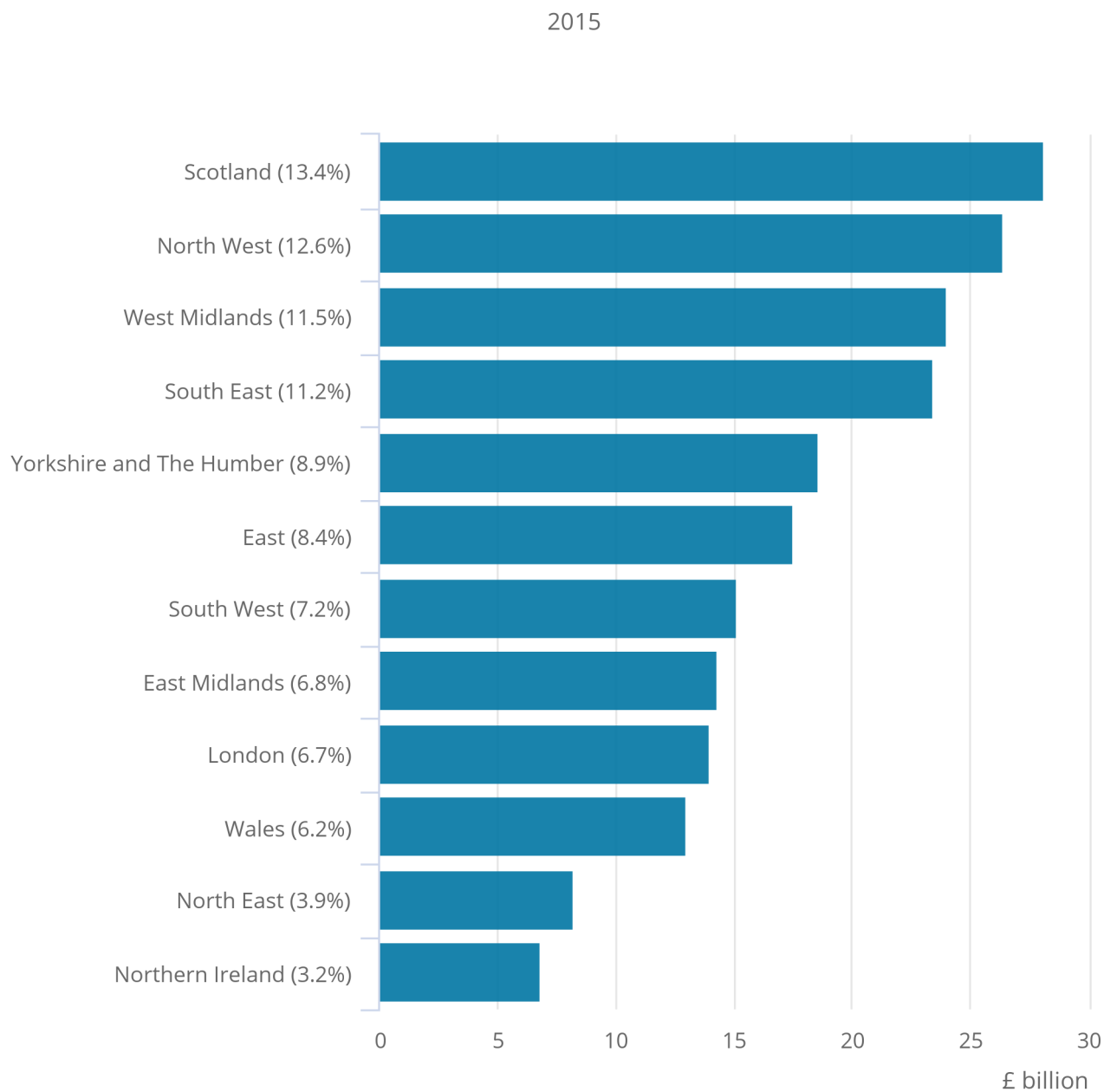
Figure 8 shows the aGVA contribution for each region within the production sector. The largest contribution to aGVA came from Scotland which contributed 13.4% (£28.1 billion) to the UK production sector in 2015. This was closely followed by the North West with 12.6% (£26.4 billion), the West Midlands 11.5% (£24.0 billion) and the South East 11.2% (£23.4 billion).



**Figure 8: Production; local level aGVA by NUTS 1 region**

2015

Figure 8: Production; local level aGVA by NUTS 1 region



Source: Office for National Statistics

Source: Office for National Statistics

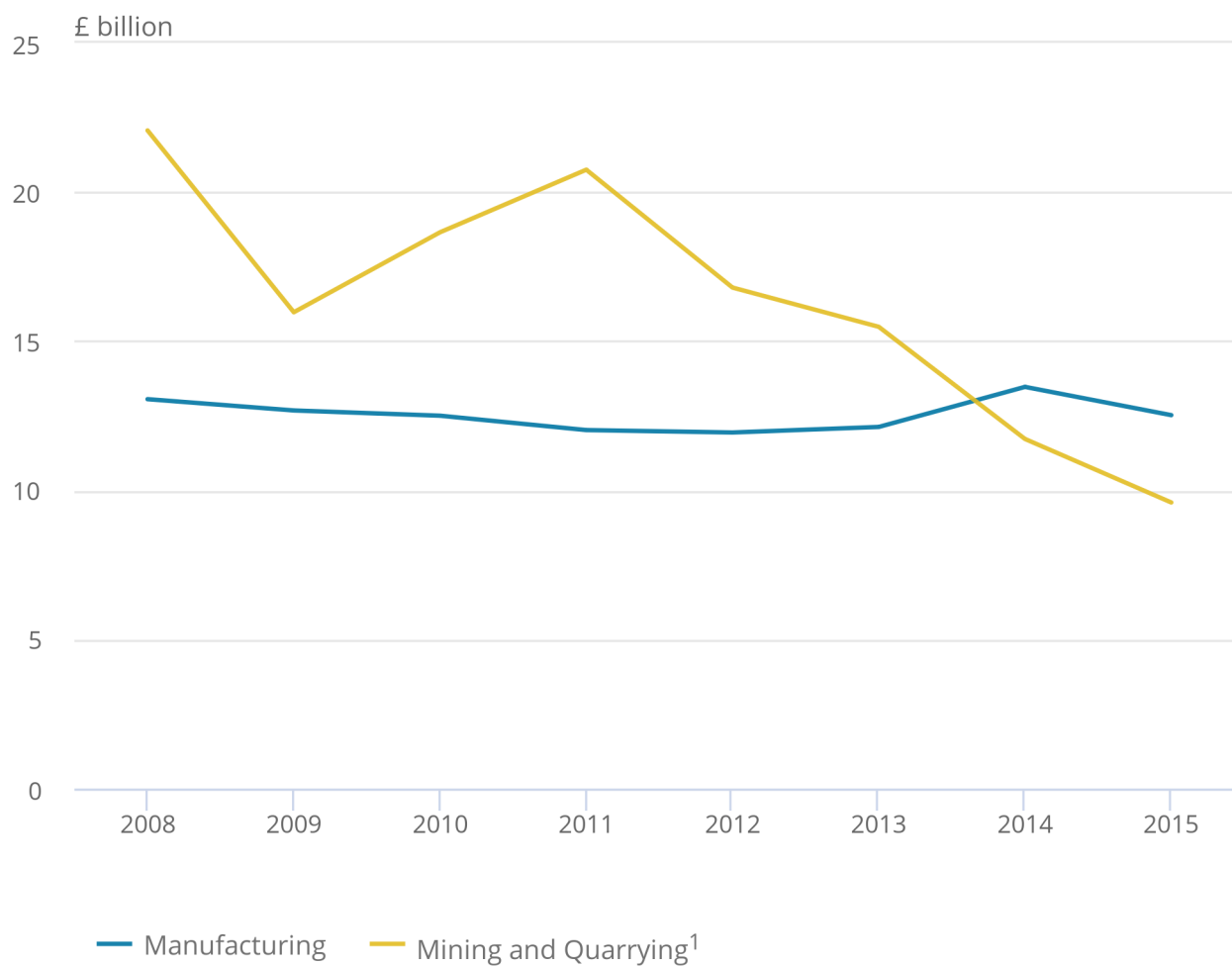
## Scotland

**Figure 8a: Scotland production; local level aGVA by largest contributing sections in 2015**

2008 to 2015

Figure 8a: Scotland production; local level aGVA by largest contributing sections in 2015

2008 to 2015



Source: Office for National Statistics

Source: Office for National Statistics

**Notes:**

1. Includes oil and gas extraction.

Figure 8a shows the top two industry contributions to Scotland's production sector aGVA.

Section C, Manufacturing, contributed 44.6% (£12.5 billion) to Scotland's production sector aGVA in 2015. Within this section, turnover decreased by 6.6% (£2.4 billion) and purchases by 7.0% (£1.6 billion), resulting in a fall in aGVA of 7.0% (£0.9 billion) between 2014 and 2015. Manufacturing covers a broad range of industries from the manufacture of food and drink; clothing; chemical; machinery; tobacco; vehicles; and furniture products. The divisions having the largest impact on the fall in aGVA (with a combined decrease of £0.8 billion) were:

- manufacture of fabricated metal products, except machinery and equipment
- manufacture of machinery and equipment n.e.c
- repair and installation of machinery and equipment

Section B, Mining and quarrying, contributed 34.2% (£9.6 billion) to Scotland's production sector aGVA in 2015. Within this section, turnover decreased by 20.9% (£5.2 billion) and purchases by 24.0% (£3.4 billion), resulting in a fall in aGVA of 18.2% (£2.1 billion) between 2014 and 2015. The section's decline was dominated by the Extraction of crude petroleum, and natural gas industry where aGVA decreased by 28.7% (£2.7 billion).

One potential factor behind this was the continuing fall in commodity prices through 2015, which 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 its 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 . What do the other sectors show?

### Distribution

The distribution sector in 2015 contributed 16.0% (£182.9 billion) of the estimated gross value added (aGVA) total of £1,146.2 billion for the UK non-financial business economy at the local level.

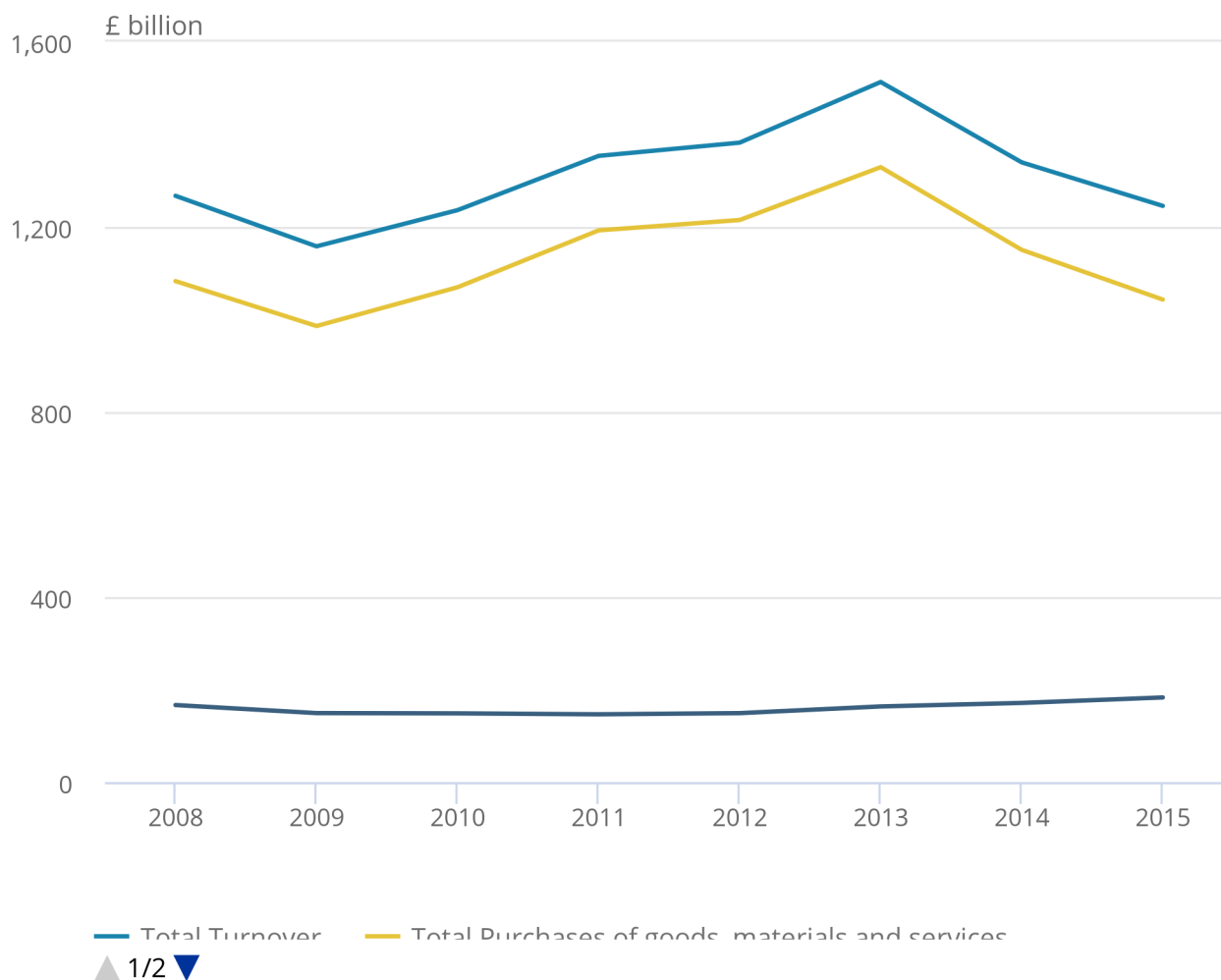
Figure 9 shows that both turnover and purchases decreased between 2014 and 2015; turnover by 7.0% (£94.0 billion) and purchases by 9.3% (£107.4 billion). The greater fall in purchases over turnover, led to an increase in aGVA of 6.9% (£11.9 billion), and is the second consecutive fall in turnover and purchases. Businesses within wholesale of solid, liquid and gaseous fuels, and related products in particular, cited the continuing fall in oil prices during 2015 as the reason for this.

**Figure 9: Distribution; local level turnover, purchases and resulting aGVA**

2008 to 2015

Figure 9: Distribution; local level turnover, purchases and resulting aGVA

2008 to 2015



Source: Office for National Statistics

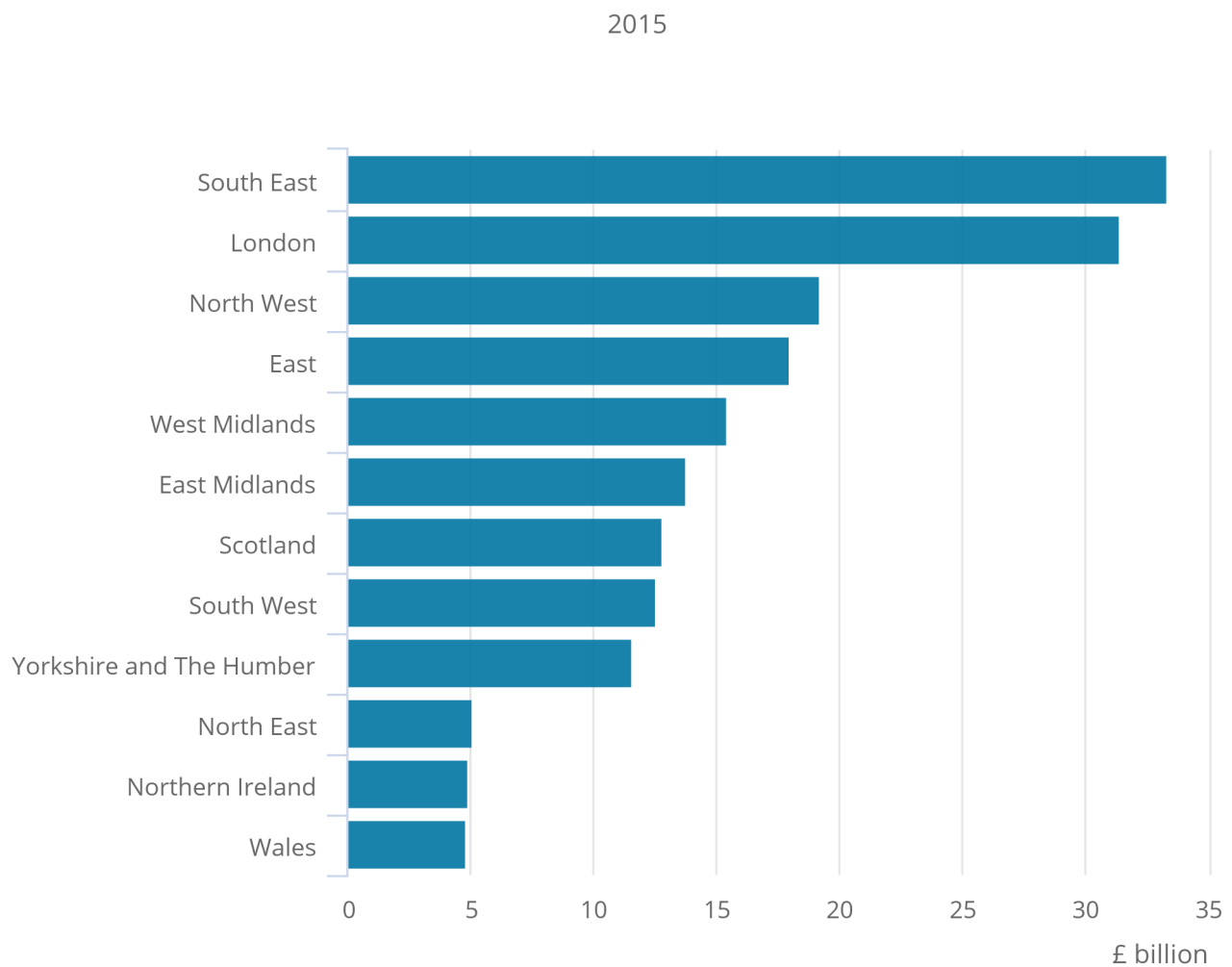
Source: Office for National Statistics

Figure 10 shows the aGVA contribution for each region within the distribution sector. The largest contribution to aGVA came from the South East which contributed 18.2% (£33.3 billion) to the UK distribution sector in 2015; this was closely followed by London with a contribution of 17.1% (£31.4 billion).

**Figure 10: Distribution; local level aGVA by NUTS 1 region**

2015

Figure 10: Distribution; local level aGVA by NUTS 1 region



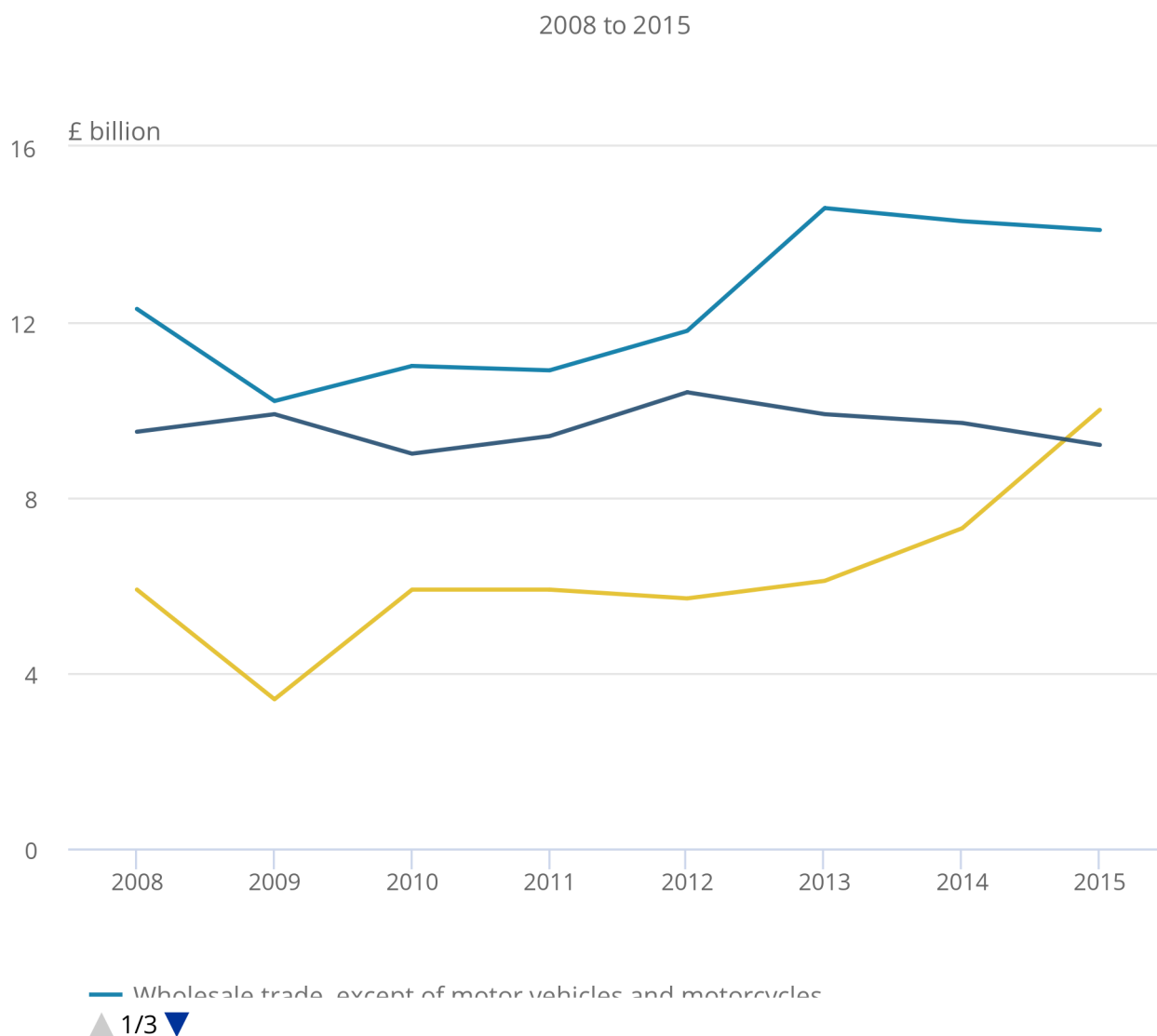
Source: Office for National Statistics

**Source: Office for National Statistics**

**Figure 10a: South East distribution; local level aGVA by division**

2008 to 2015

Figure 10a: South East distribution; local level aGVA by division



Source: Office for National Statistics

**Source: Office for National Statistics**

Figure 10a shows the largest contribution to aGVA for the Distribution sector in 2015 was from the South East's Wholesale trade (except of motor vehicles and motorcycles). Both turnover and purchases increased for this industry between 2014 and 2015; turnover by 0.2% (£0.2 billion) and purchases by 0.6% (£0.6 billion); with the purchases increase exceeding that for turnover this has led to a decrease in aGVA of 1.6% (£0.2 billion). Despite the fall in 2015, aGVA has remained above the level seen at the start of the economic downturn for the third consecutive year.

Within the region, the largest contribution to aGVA growth for the Distribution sector between 2014 and 2015 was from Wholesale and retail trade; repair of motor vehicles and motorcycles. Both turnover and purchases increased for this industry in this period; turnover by 4.8% (£2.5 billion) and purchases by 0.9% (£0.4 billion). With the increase in turnover exceeding that for purchases this led to an increase in aGVA of 36.9% (£2.7 billion). Businesses cited that better customer deals on new and used vehicles and the popularity of some new models was the reason for this.

## **Construction**

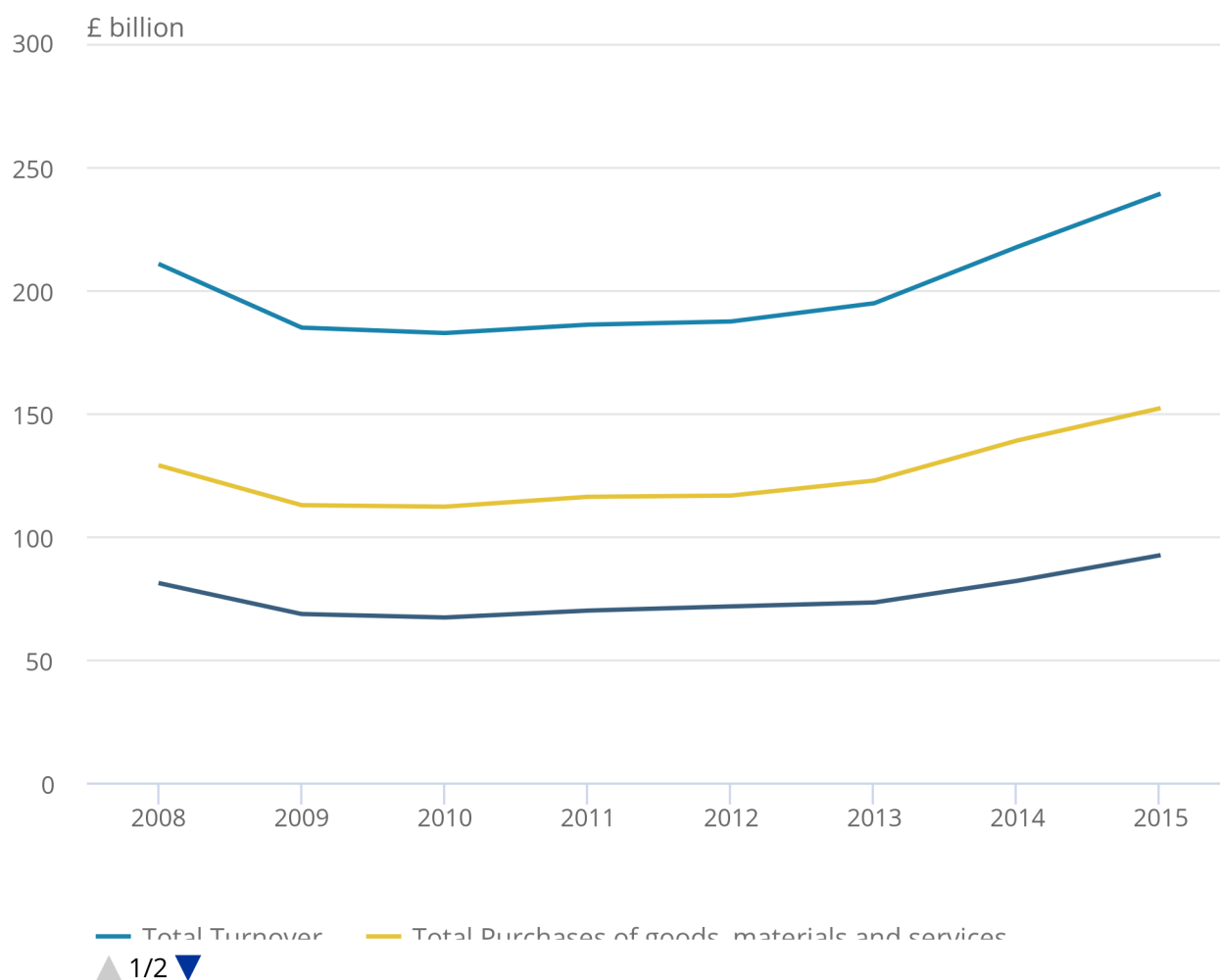
At the local level between 2014 and 2015, construction turnover increased by 9.9% (£21.6 billion). Purchases increased by 9.4% (£13.1 billion) and together with a rise in stock levels, this resulted in aGVA growth of 10.4% (£12.7 billion). This was the fifth consecutive year of growth in aGVA as shown in Figure 11.

**Figure 11: Construction; local level turnover, purchases and resulting aGVA**

2008 to 2015

Figure 11: Construction; local level turnover, purchases and resulting aGVA

2008 to 2015



Source: Office for National Statistics

Source: Office for National Statistics

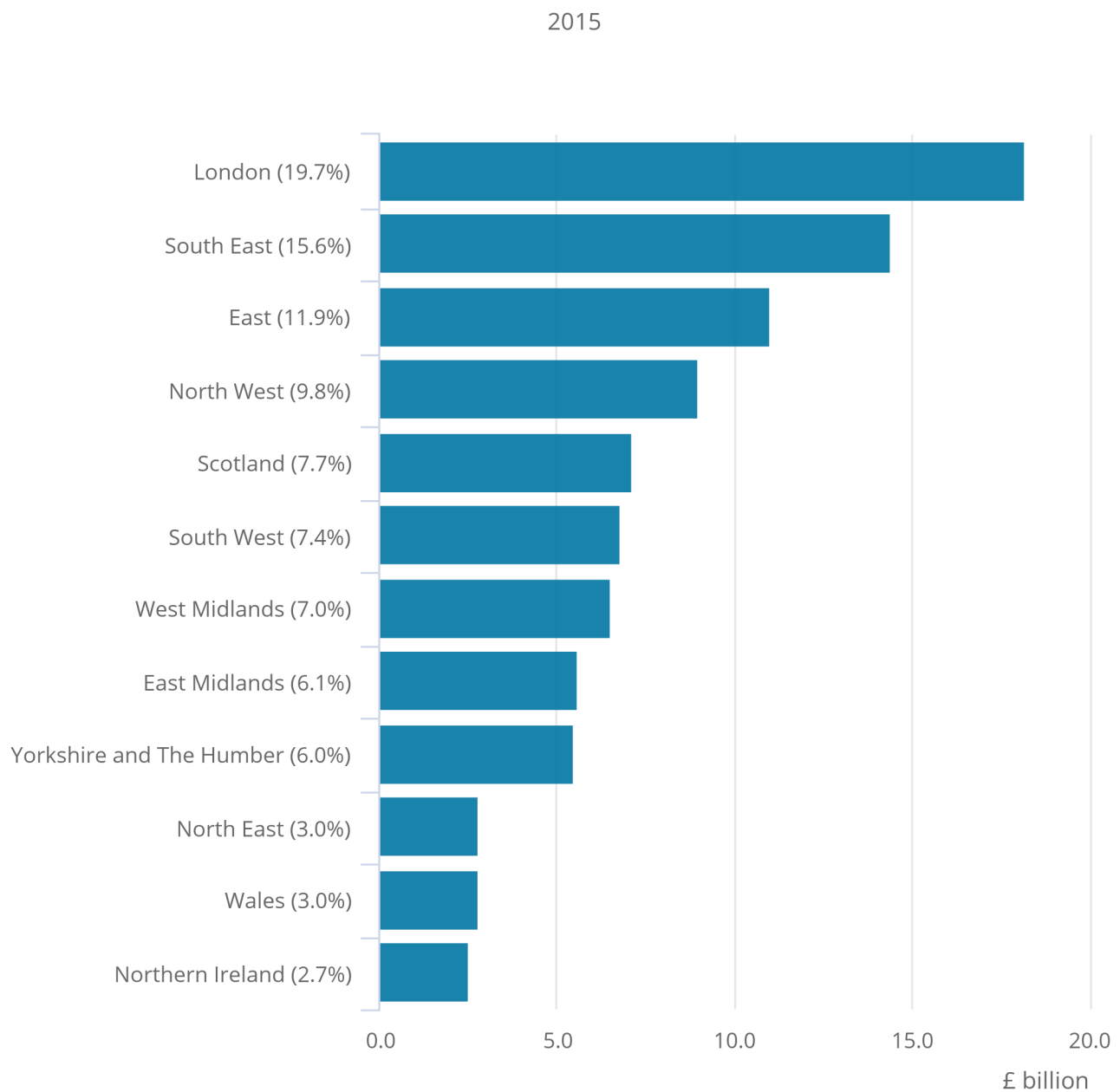
Figure 12 shows the aGVA contribution for each region within the construction sector. The largest contribution to aGVA came from London which contributed 19.7% (£18.2 billion) to the UK construction sector in 2015; this was followed by the South East with 15.6% (£14.4 billion).



**Figure 12: Construction; local level aGVA by NUTS 1 region**

2015

Figure 12: Construction; local level aGVA by NUTS 1 region



Source: Office for National Statistics

Source: Office for National Statistics

## Agriculture (part), forestry and fishing

The Annual Business Survey (ABS) covers only hunting, forestry, fishing and the support activities to agriculture. At the local level, this represents just 0.1% (£1,687 million) of the UK non-financial business economy at the local level in 2015. The part covered by the ABS showed an increase in turnover of 0.5% (£20 million), a decrease in purchases of 0.2% (£6 million), which along with changes in stocks and own account capital expenditure, led to an increase in aGVA of 0.2% (£3 million).

Scotland made the largest contribution to the UK Agricultural (part) aGVA; £452 million in 2015, which was a fall of 19.3% (£108 million) between 2014 and 2015.

As Agriculture has a very small contribution to the total aGVA, the values quoted in this section are in pounds millions.

## 7 . Links to related statistics

The Annual Business Survey (ABS) is an important data source used to regionalise components of regional gross value added, compiled using both the [income](#) and [production](#) approaches. The regional breakdown allows us to break down the UK National Accounts figures to geographical codes: (Nomenclature of Units for Territorial Statistics) NUTS 1, NUTS 2, and NUTS 3 regions.

Annual Business Survey (ABS) data was also recently published in our [Annual Business Survey, UK non-financial business economy Foreign Owned businesses, 2008 to 2015 release](#).

## 8 . Upcoming changes to this bulletin

As described in [Improving the Coverage of the Standard Business Survey Population](#) published on 21 December 2015, the coverage of our Standard Business Survey population has been extended to include a population of solely Pay-As-You-Earn (PAYE) based businesses. These additional businesses will be included in the 2016 Annual Business Survey regional results in July 2018. We are carrying out additional quality assurance on the impact of this and will advise users of the results accordingly.

## 9 . Quality and methodology

The [Annual Business Survey \(ABS\) Quality and Methodology Information](#) document contains important information on:

- the strengths and limitations of the data and how it compares with related data
- uses and users of the data
- how the output was created
- the quality of the output including the accuracy of the data

You will also find detailed information on the methods used in the calculation of the ABS in the [ABS Technical Report](#) published on the [ABS methodology page](#).

