

Statistical bulletin

Annual Business Survey, UK non-financial business economy: 2016 provisional results

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



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Release date:
9 November 2017

Next release:
7 June 2018

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1 . Main points

- In 2016, the approximate gross value added at basic prices (aGVA) of the UK non-financial business economy was estimated to be £1,201.1 billion; this was an increase of 3.9% (£44.6 billion) compared with 2015.
- The estimate of aGVA represents the income (turnover) of UK businesses, less the cost of goods and services consumed in the production process (purchases); all four of the main sectors of the non-financial business economy (production, construction, distribution and non-financial services) saw a continuation in growth of aGVA in 2016.
- The non-financial services sector, which accounted for over half (56.0%) of total aGVA in 2016, saw an increase of 3.3% (£21.6 billion); professional, scientific and technical services continued to provide the highest levels of aGVA within this sector contributing just under a quarter of the total (23.5%).
- The level of total turnover increased between 2015 and 2016 by 2.3% (£77.5 billion) following a fall of 1.2% (£40.8 billion) between 2014 and 2015.
- All four sectors showed growth in turnover, with non-financial services experiencing the largest increase of £41.4 billion (3.4%); within this sector, information and communication services saw the largest level growth increasing by £12.8 billion (5.9%).
- Within purchases the level increased by 1.5% (£32.5 billion) in 2016; production, construction and non-financial services all saw increased growth, though, there was a fall of 1.1% (£11.6 billion) within distribution.

2 . Things you need to know about this release

The Annual Business Survey (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 non-financial services excludes public administration and defence, public provision of education and health, all medical and dental practice activities and finance and insurance. The ABS currently collects data for the insurance and reinsurance industries but as they are an experimental series they are not included in the published estimates.

Estimates published in this release include turnover, purchases, aGVA, and employment costs. An overview of aGVA and a comparison of ABS and national accounts measures of value added can be found in the articles [What is aGVA?](#), and [A Comparison between ABS and National Accounts Measures of Value Added](#). All data are reported at current prices so no adjustments have been made to account for the effects of inflation.

The estimates contained in this release include, for the first time, a comparison between 2015 and 2016 based on an extended Office for National Statistics (ONS) business survey population. The ONS population was expanded in 2015 to include approximately 92,000 solely Pay-As-You-Earn (PAYE) based businesses. This led to an increase in the number of businesses in the overall population of approximately 4%. Nearly all of these businesses (99.3%) were in employment size-band 1 (zero to nine employees) and nearly half of them were in the non-financial services sector.

Within the ABS the new population was used for the first time in 2016. New estimates for 2015 were therefore calculated to assess the year-on-year impact of the inclusion of these additional businesses. An impact article and corresponding reference tables showing the new 2015 estimates were published on [Friday 20 October](#). All estimates and commentary within this release are based on comparisons between 2016 and the new estimates for 2015, both of which include PAYE-based businesses. In 2015, these businesses increased the level of turnover by 0.4% and approximate gross value added (aGVA) by 0.8%. Corresponding data tables will be provided for 2015 on both bases, however, no special analyses can be provided for the new 2015 estimates due to the process used in calculating the data. To support user understanding, PAYE-based businesses have been added retrospectively at an aggregate level for 2015; this has limited the low-level microdata analysis that is possible.

Users should also note that a sample re-optimisation has been included in the estimates for 2016. This is carried out every five years to improve the efficiency of the sample estimation and reduce sampling variability as part of the regular process to improve estimates.

All estimates in this release are taken from the ABS and provide the size and growth of the UK non-financial business economy. The data are the main source for understanding the detailed structure, conduct and performance of businesses across the UK.

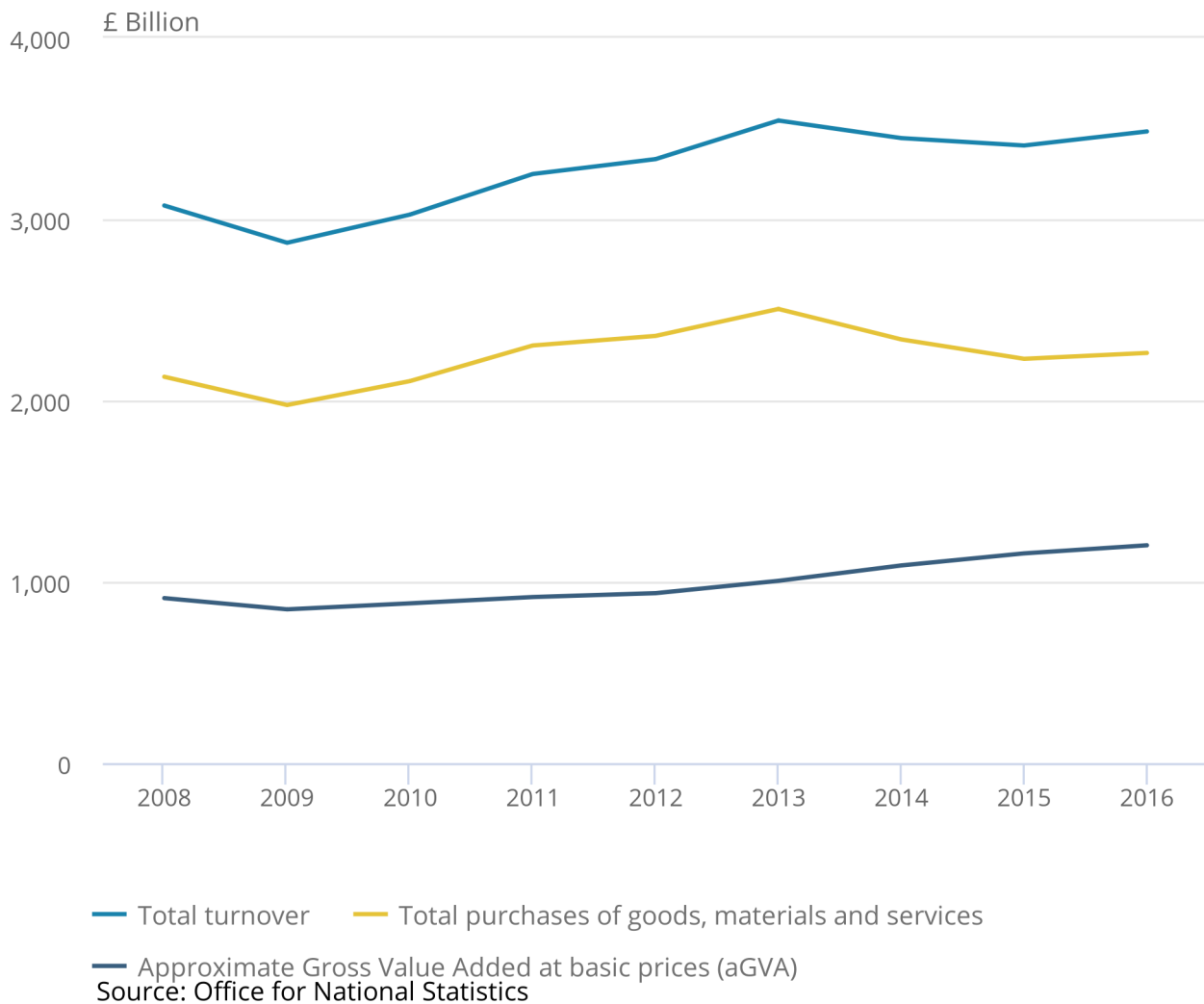
3 . What is the overall picture in 2016?

In 2016, approximate gross value added (aGVA) of the UK non-financial business economy was estimated to be £1,201.1 billion. This was an increase of 3.9% (£44.6 billion) in 2016 compared with 2015.

The main components of aGVA are turnover and purchases. Figure 1 shows the levels of total turnover, purchases and aGVA from 2008 to 2016.

Figure 1: UK Non-Financial Business Economy¹, turnover and purchases and resulting aGVA, 2008 to 2016

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Source: Office for National Statistics

Notes:

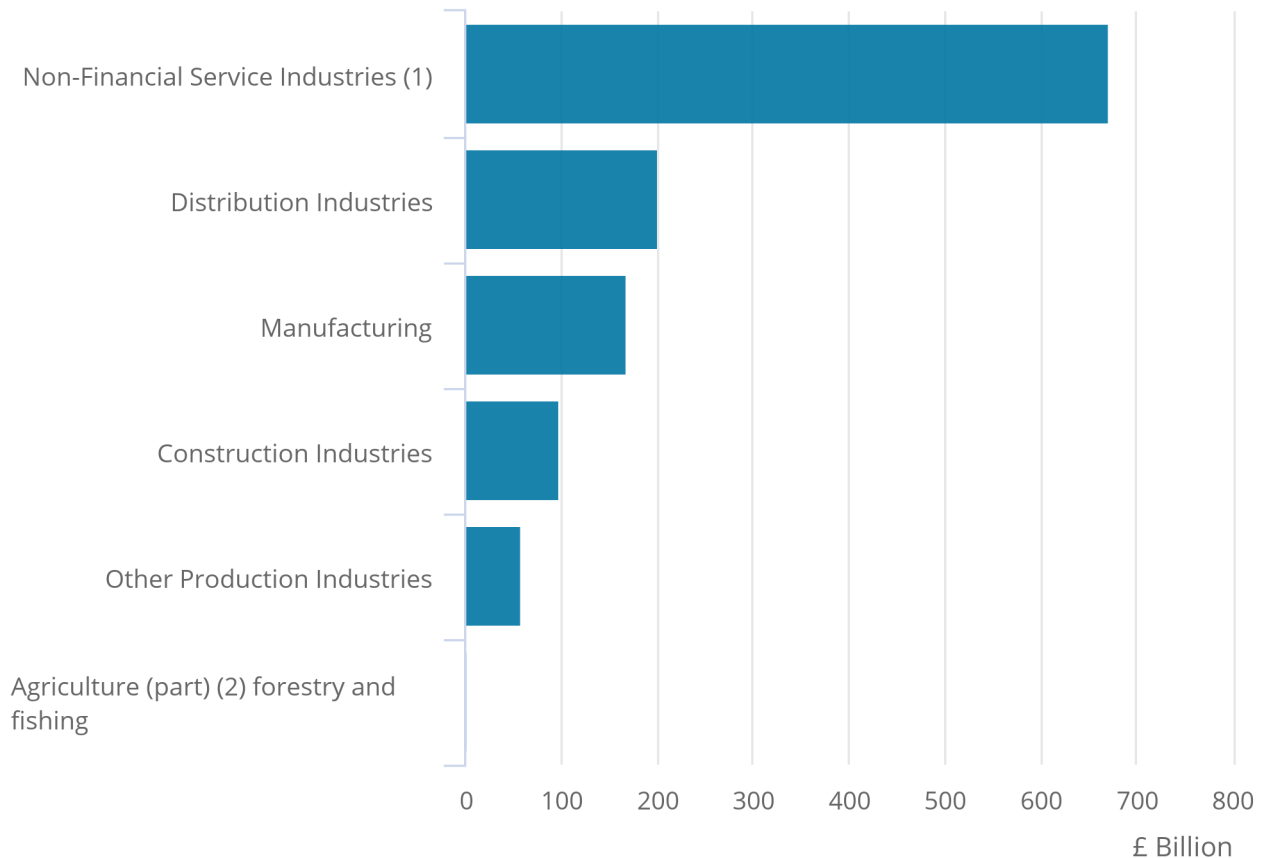
1. UK Non-financial business economy excludes: Crop and animal production; Financial and insurance; Public administration and defence; Public provision of Education; Public provision of Health and all medical and dental practice activities.
2. Excludes public provision of Education, public provision of Health and all medical and dental practice activities.
3. Excludes crop and animal production.

Figure 1 shows that both turnover and purchases fell during the 2008 to 2009 economic downturn, and following this period, both followed a similar pattern of increase until 2013. More recently, however, the level of purchases has declined to a greater extent than turnover, which has resulted in the levels of aGVA increasing at a faster pace.

The level of aGVA increased within each of the four main sectors of the economy: production, construction, distribution and non-financial services. Figure 2 shows that the non-financial services sector is the largest component of the UK non-financial business economy, accounting for £672.5 billion of total aGVA in 2016 (56.0%).

Figure 2: UK Non-Financial Business Economy¹, aGVA by sector, 2016

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Source: Office for National Statistics

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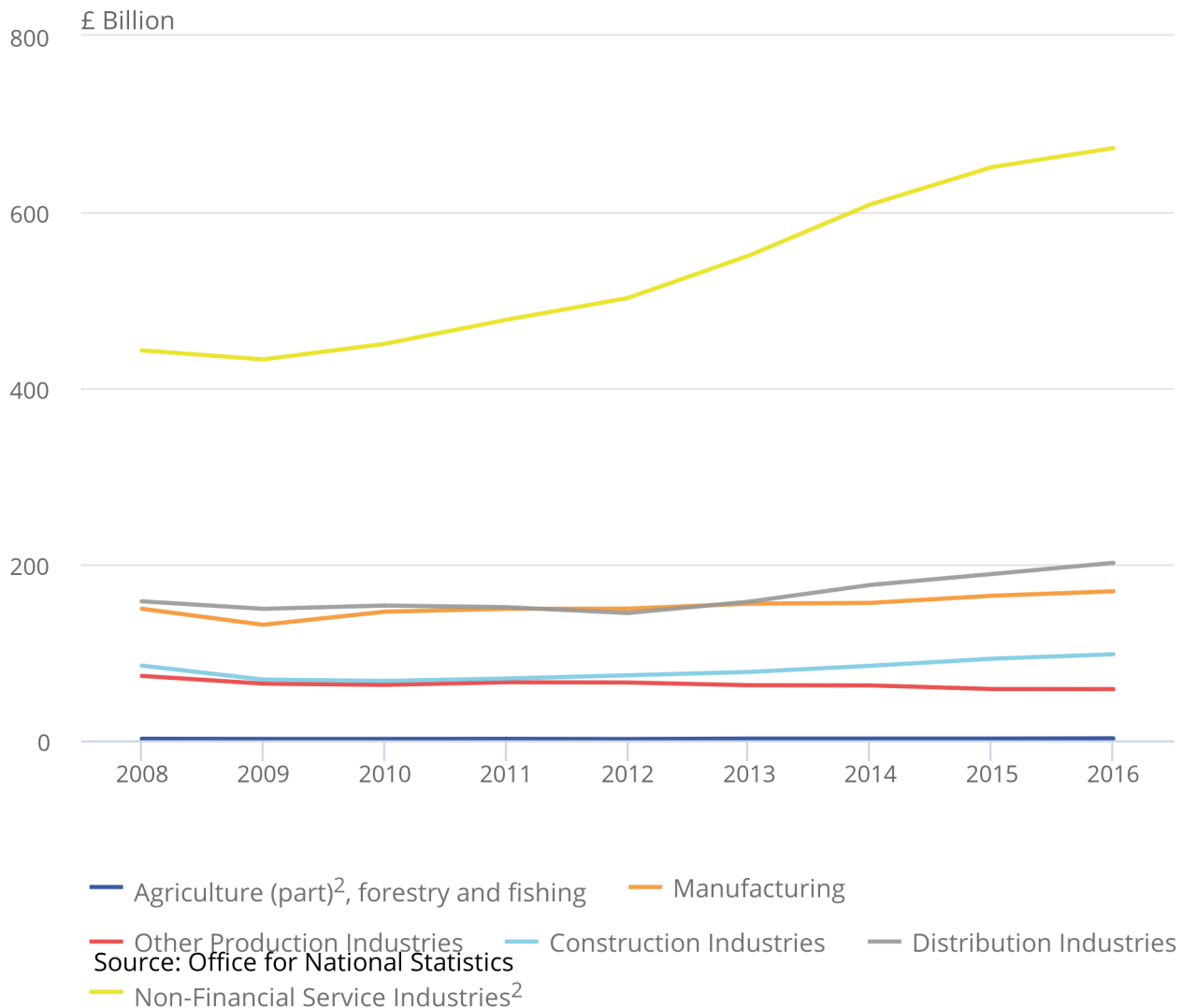
Notes:

1. Excludes Financial and insurance; Public administration and defence; public provision of Education; public provision of Health and all medical and dental practice activities.
2. Agriculture (part: excluding crop and animal production), forestry & fishing data are excluded from the line charts as the values are negligible on a comparable scale.

For each of the four main sectors aGVA continued to increase, with non-financial services showing the highest levels of growth. Figure 3 shows how the levels of aGVA have grown modestly in other sectors of the economy compared with non-financial services, which has grown rapidly over the period.

Figure 3: UK Non-Financial Business Economy¹, aGVA by sector, 2008 to 2016

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Source: Office for National Statistics

Notes:

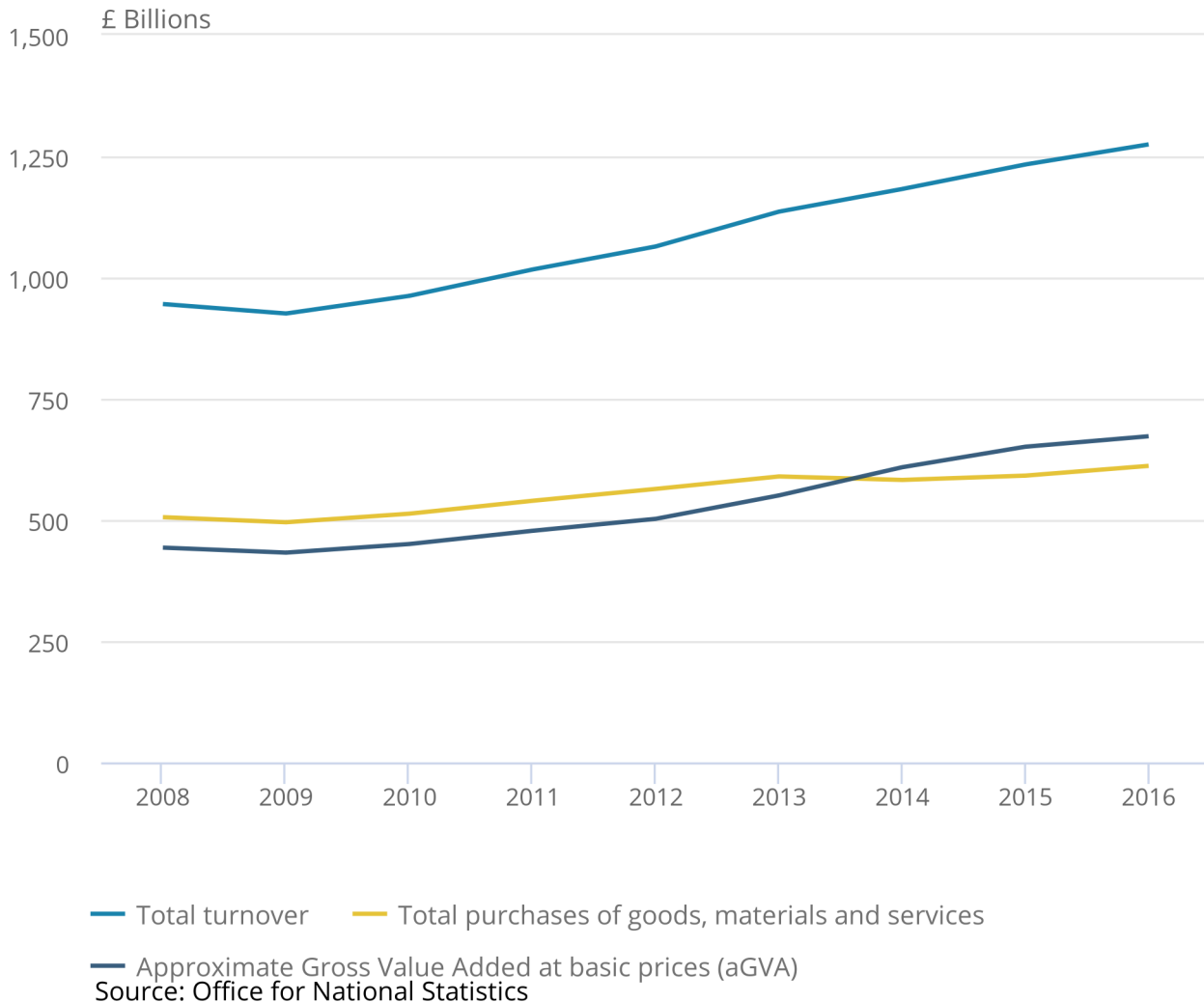
1. Excludes Financial and insurance; Public administration and defence; public provision of Education; public provision of Health and all medical and dental practice activities.
2. Agriculture (part: excluding crop and animal production), forestry & fishing data are excluded from the line charts as the values are negligible on a comparable scale.

4 . Non-financial services continues to show strength

Between 2015 and 2016, aGVA for the non-financial services sector increased by 3.3%. Following the period of the economic downturn in 2008 to 2009, this is the seventh consecutive year of growth in aGVA for this sector.

Figure 4: Non-Financial Services¹, turnover and purchases and resulting aGVA, 2008 to 2016

Figure 4: Non-Financial Services¹, turnover and purchases and resulting aGVA, 2008 to 2016



Source: Office for National Statistics

Notes:

1. Non-financial services excludes, Financial and insurance, Public administration and defence, Public provision of Education, Public provision of Health and all medical and dental practice activities.
2. Excludes public provision of Education, Public provision of Health and all medical and dental practice activities.

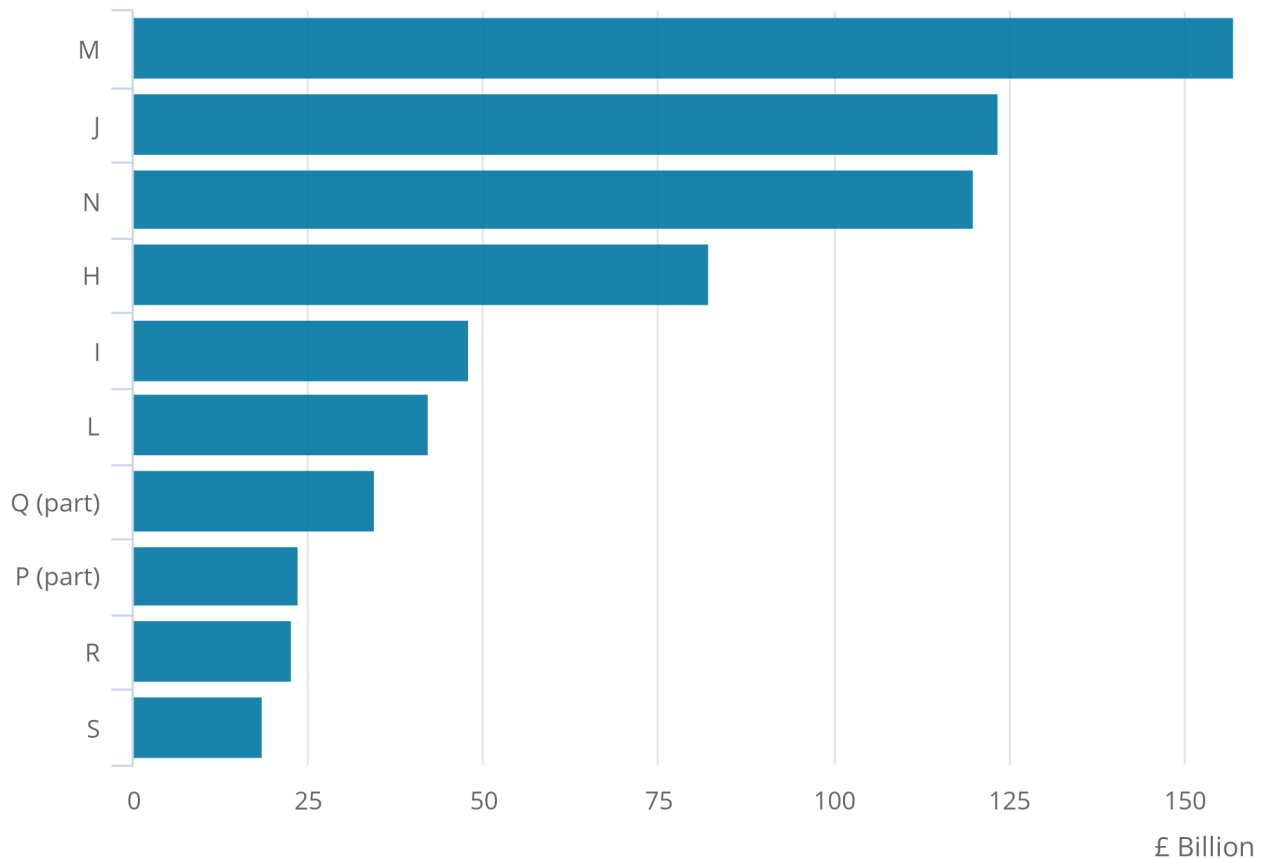
Figure 4 shows that between 2009 and 2016 the level of turnover in non-financial services grew steadily; by 37.7% overall. The level of purchases followed a similar pattern in growth until 2013 but has remained relatively flat in more recent years. Overall, purchases increased by 23.5% since 2009 but the lower increase than that seen in turnover has resulted in a 55.5% increase in the level of aGVA over the period.

5 . What is the biggest contribution to aGVA in non-financial services?

Figure 5 shows the contributions from all of the sections within the non-financial services sector. The largest contribution to the overall level of approximate gross value added (aGVA) comes from professional, scientific and technical services (section M), closely followed by information and communication services (section J), and administrative and support services (section N).

Figure 5: Non-Financial Services¹, aGVA by section, 2016

Figure 5: Non-Financial Services¹, aGVA by section, 2016



Source: Office for National Statistics

Source: Office for National Statistics

Notes:

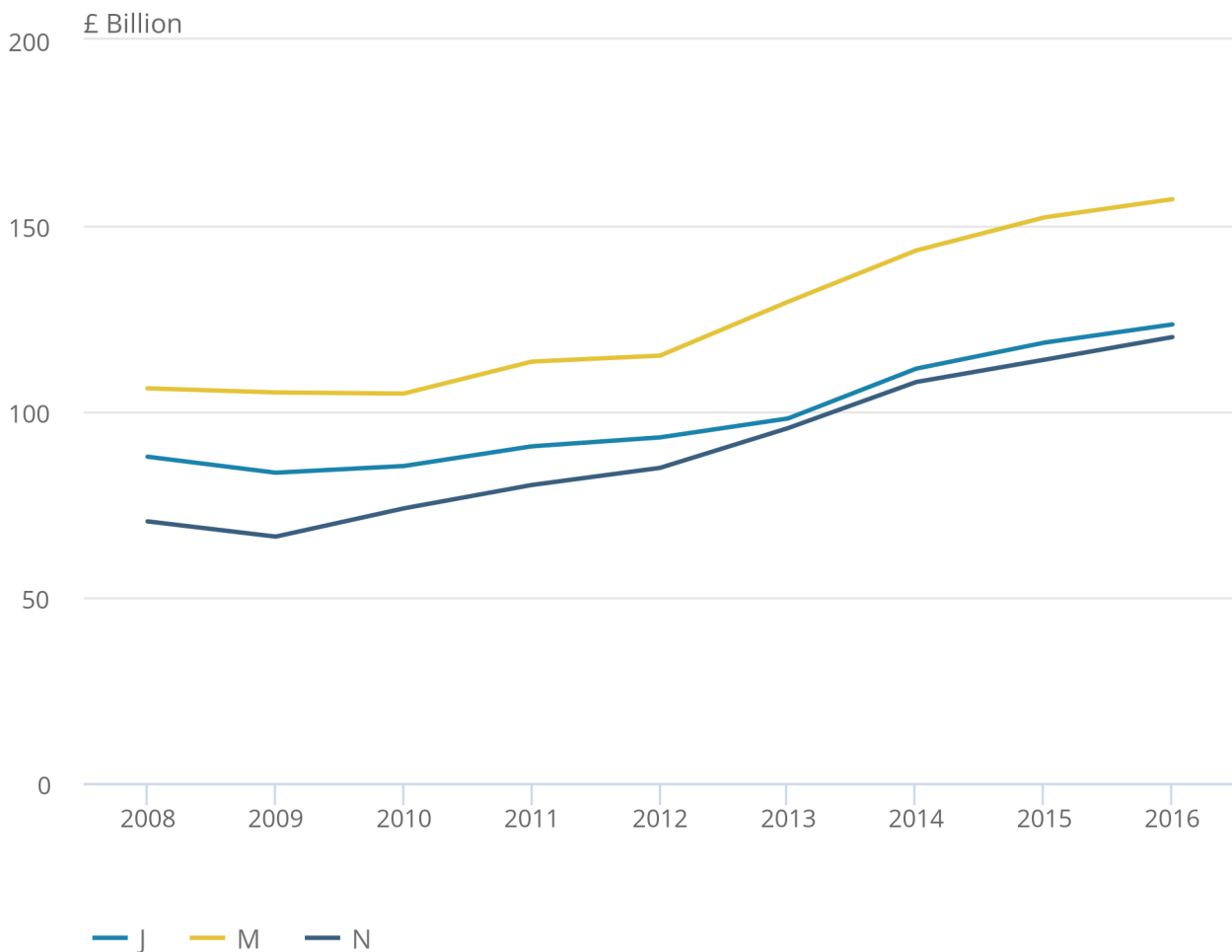
1. Standard Industrial Classification (Revised 2007) - H - Transport and storage; I - Accommodation and food service activities; J - Information and communication; L - Real estate activities; M - Professional, scientific and technical activities; N - Administrative and support service activities; P (part) - Education; Q - (part) Human health and social work activities; R - Arts, entertainment and recreation; S - Other service activities.
2. 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 growth in aGVA since 2008 for just the three largest contributors to non-financial services: sections M, J and N. In 2016, these sections accounted for nearly 60.0% (£400.5 billion) of total aGVA in the non-financial services sector.

As the largest contributor to the total, section M - professional, scientific and technical services, showed an increase in growth of aGVA of 3.2% (£4.9 billion) in 2016 compared with 2015. Within this section, turnover increased by 4.6% (£11.6 billion) and purchases increased by 8.3% (£8.6 billion) over the same period. Section M covers a range of industries from legal and accounting activities to advertising and market research, and veterinary activities.

Figure 6: Non-Financial Services¹, aGVA by section, 2008 to 2016

Figure 6: Non-Financial Services¹, aGVA by section, 2008 to 2016



Source: Office for National Statistics

Source: Office for National Statistics

Notes:

1. Standard Industrial Classification (Revised 2007) - J - Information and communication; M - Professional, scientific and technical activities; N - Administrative and support service activities.

6 . What do the other sectors show?

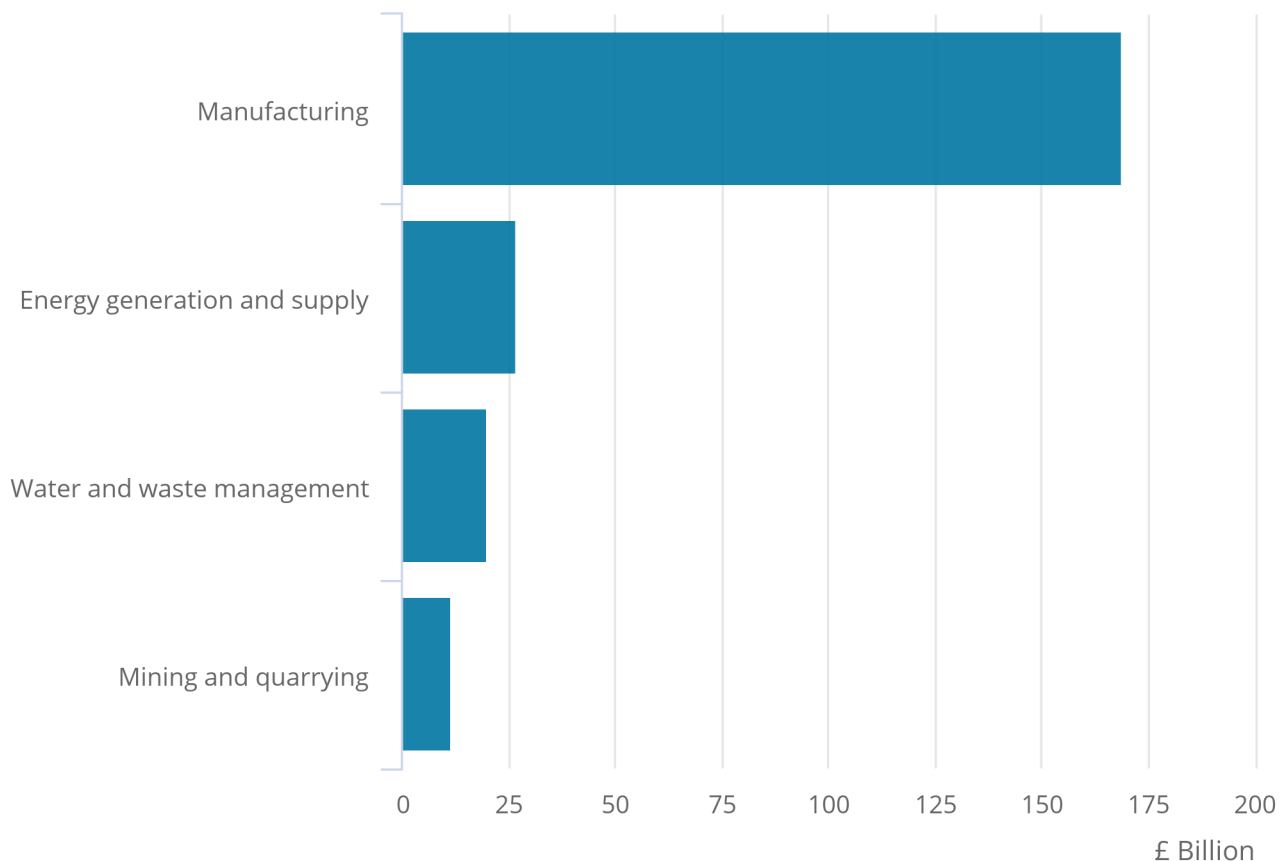
Production

The production sector in 2016 contributed £227.3 billion to overall approximate gross value added (aGVA) of £1,201.1 billion for the UK non-financial business economy. The levels of both turnover and purchases increased between 2015 and 2016; turnover by 1.4% (£9.5 billion) and purchases by 2.5% (£11.4 billion).

Figure 7 shows the four sections that make up the production sector. Manufacturing is the largest component, accounting for nearly three-quarters of total production aGVA in 2016. In 2016, aGVA in manufacturing increased by 3.1% (£5.1 billion). Turnover increased by 2.2% (£11.2 billion) and purchases increased by 3.7% (£12.4 billion).

Figure 7: Production, aGVA by section, 2016

Figure 7: Production, aGVA by section, 2016



Source: Office for National Statistics

Source: Office for National Statistics

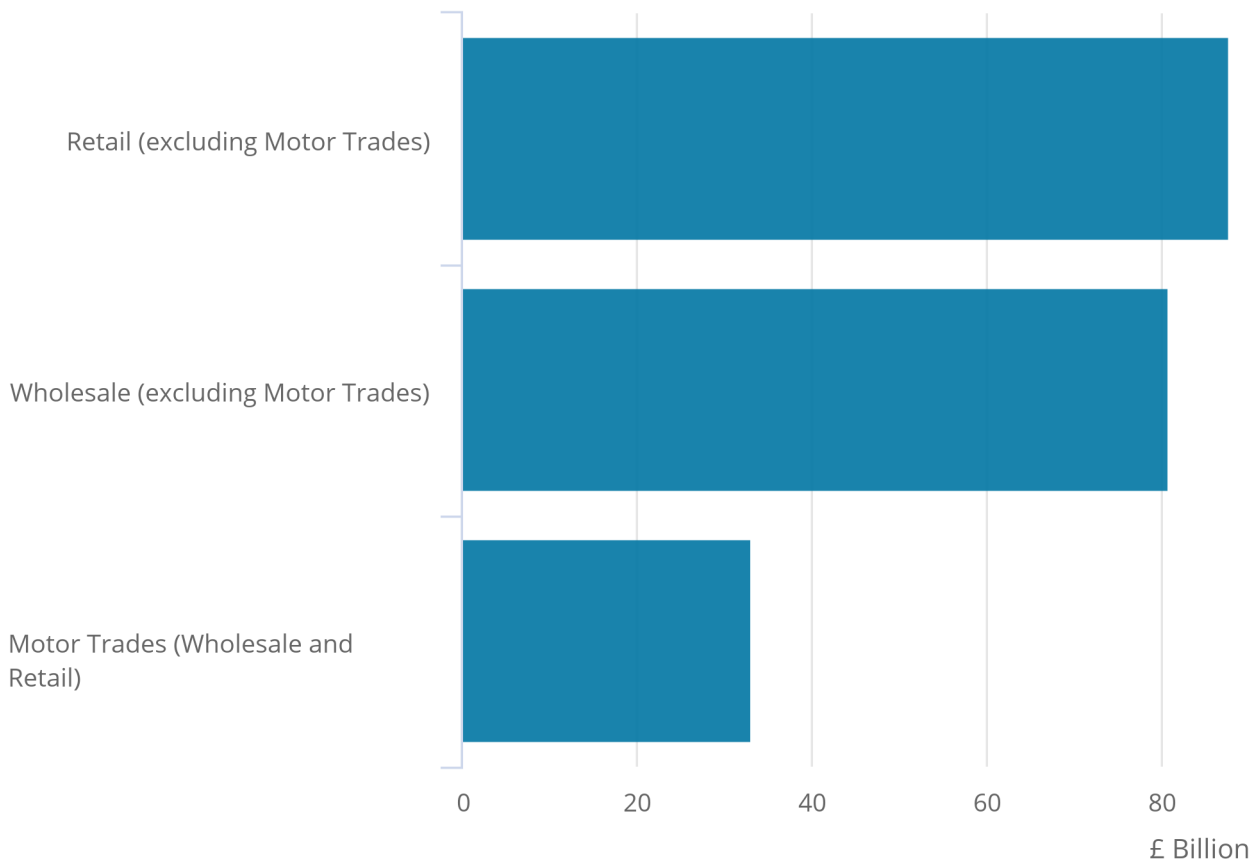
Distribution

Distribution saw a rise in approximate gross value added (aGVA) of 6.7% (£12.7 billion) between 2015 and 2016; even though there was a relatively small increase in turnover of 0.6% (£7.2 billion), purchases decreased by 1.1% (£11.6 billion). The level of aGVA is now the highest on record.

Figure 8 shows that within distribution, retail is the largest component, accounting for 43.5% of the total aGVA in the distribution sector; this is closely followed by wholesale which accounted for 40.0% of the total.

Figure 8: Distribution, aGVA by division, 2016

Figure 8: Distribution, aGVA by division, 2016



Source: Office for National Statistics

Source: Office for National Statistics

Between 2015 and 2016 retail saw an increase in aGVA of 2.3% (£2.0 billion). Turnover increased by 2.0% (£7.4 billion) and purchases increased by 1.6% (£4.6 billion). Since 2008, retail aGVA has continued to grow to its highest level.

Wholesale shows a different picture. Turnover decreased by 1.9% (£12.8 billion) in 2016 compared with 2015. An even greater fall was experienced in purchases of 4.4% (£26.2 billion) which has led to an overall increase in aGVA of 13.8% (£9.8 billion).

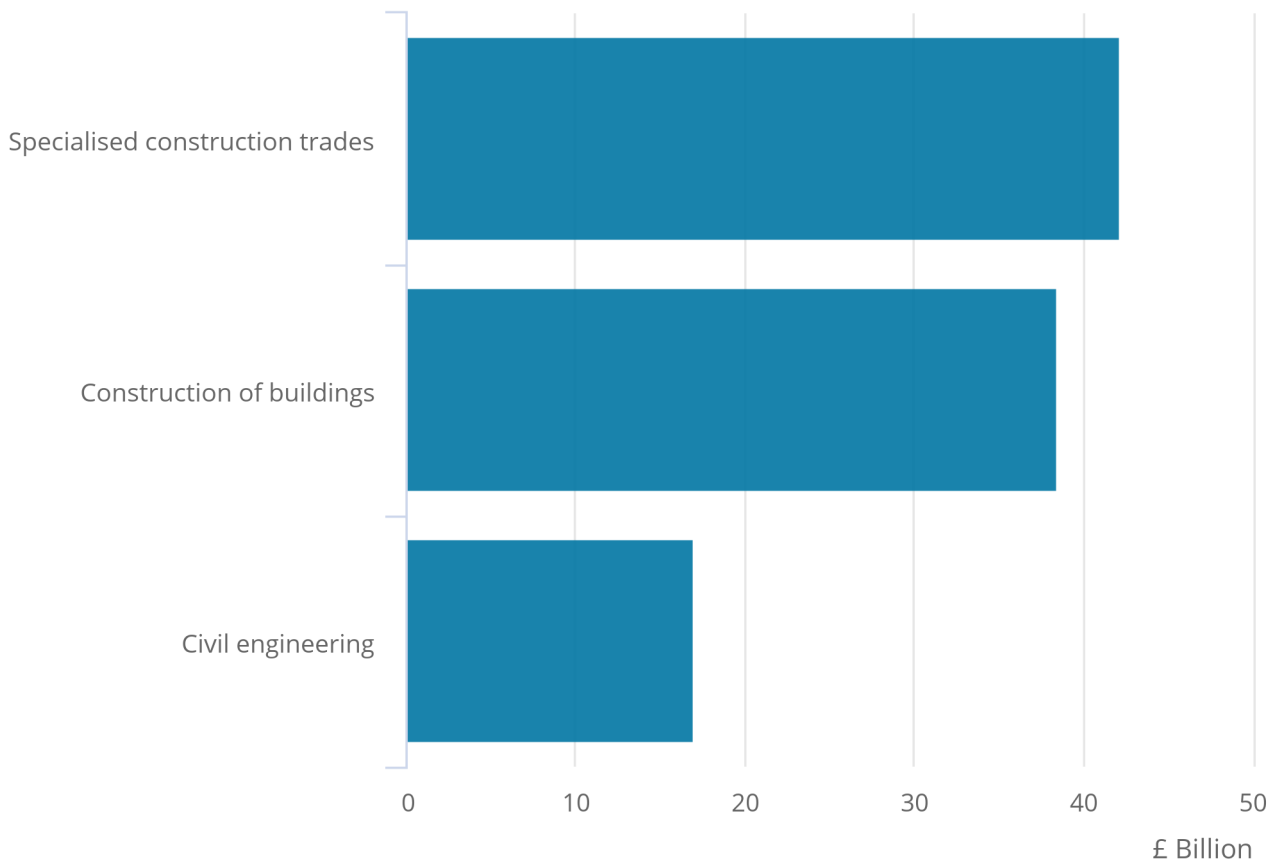
The levels in both turnover and purchases for wholesale have shown volatility since 2008 with aGVA decreasing sharply in the years following the 2008 to 2009 economic downturn to its lowest level in 2012. Since this period, however, aGVA continued to grow and is now at its highest level over the period. In comparison, the level of purchases is at its lowest and could have potentially been impacted by the fall in prices of key commodities, such as oil, in recent years.

Construction

Between 2015 and 2016, construction turnover increased by 8.0% (£19.1 billion), while purchases increased by 8.2% (£12.4 billion). As a result approximate gross value added (aGVA) increased by 5.4% (£5.0 billion). This was the sixth consecutive year of growth in aGVA for this sector.

Figure 9: Construction, aGVA by division, 2016

Figure 9: Construction, aGVA by division, 2016



Source: Office for National Statistics

Source: Office for National Statistics

Figure 9 shows that specialised construction trades provided the largest contribution to total aGVA in the construction sector, followed closely by construction of buildings. This covers a broad area including demolition, and electrical, plumbing and other construction installation activities.

Agriculture (part), forestry and fishing

The Annual Business Survey (ABS) covers only hunting, forestry, fishing and the support activities to agriculture. This part of agriculture showed an increase in turnover of 8.0% (£355 million) and an increase in purchases of 8.7% (£233 million) in 2016 compared with 2015. This led to an increase in aGVA of 11.9% (£230 million) over the same period.

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 provisional value of £8,196 million for 2016.

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

7 . Links to related statistics

The share of the [total value of gross value added at factor costs \(aGVA\) in the business economy for each EU-28 member state](#) is available. These estimates are currently based on the latest data available for 2015. The UK makes the second-largest contribution with 19.1% of total EU aGVA. Germany accounts for 21.3% and France is the only other member state comprising more than 10.0% (12.4%) of EU business economy aGVA.

8 . 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](#).