

Article

# National Accounts articles: Latest developments and changes to be implemented in Blue Book and Pink Book 2019

Planned scope and content of the UK National Accounts, the Blue Book and UK Balance of Payments, Pink Book 2019 editions.



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# 1 . Summary

This article is part of a series describing [changes to National Accounts](#), detailing the improvements being made to [UK National Accounts, the Blue Book](#) and [UK Balance of Payments, Pink Book](#) 2019 editions. The aim of the improvements is to ensure that the UK National Accounts continue to provide the best possible framework for analysing the UK economy and for comparing it with those of other countries. The Blue Book and Pink Book 2019 will focus on implementing important improvements outlined in the [National Statistics Quality Review](#) and the [Independent Review of UK Economic Statistics](#).

The Blue Book 2019 will include the biggest changes to the compilation of real (adjusted for price changes) gross domestic product (GDP) in a generation to give a framework fit for the future, [a blog published](#) alongside this scope article provides more information on how these changes fit into our transformation journey.

We will publish the details on the impacts of improvements in a series of articles in the lead-up to the publication; a provisional communication schedule is presented in Table 1.

## 2 . Introduction

Every year we update the sources and methods for the UK National Accounts and publish the latest estimates (including revisions to past periods) in the annual Blue Book publication. A regular part of these updates is annual supply and use balancing, which brings together detailed data on the three approaches (production, income and expenditure) to measuring gross domestic product (GDP) and balances them by product. In addition, volume series are updated so their reference and base years are moved forward one year. In the UK, the national accounts and balance of payments are fully integrated and coherent; therefore, a parallel process is followed for the balance of payments.

The annual balance of payments publication, known as the Pink Book, is published at the same time as the Blue Book and includes detailed balance of payments statistics, including geographical breakdowns of the current account and international investment position.

The [Quarterly national accounts](#), [Quarterly sector accounts](#) and the [Balance of payments quarterly release](#) that will be published on 30 September 2019 will be consistent with the Blue Book and Pink Book 2019 that will be published on 31 October 2019.

The UK National Accounts must adhere to international standards, specifically the European System of Accounts and Balance of Payments Manuals, to ensure international comparability. In September 2014, we published the first set of UK National Accounts incorporating methods improvements to bring them in line with the [European System of Accounts 2010: ESA 2010](#), which replaced the European System of Accounts 1995: ESA 1995. The balance of payments (BoP) was published in line with the [Balance of Payments and International Investment Position Manual sixth edition \(BPM6\)](#). Most of the improvements to bring the UK National Accounts into line with ESA 2010 have now been completed, so the focus of the development work for Blue Book and Pink Book 2019 is on implementing improvements considered important by us and our users.

This article outlines the planned scope for Blue Book and Pink Book 2019, provides details on the transformational changes being made to the measurement of real GDP and gives a timetable for finding out more about the changes. We are also currently planning the scope of the improvements to be made for the Blue Book and Pink Book in 2020, with a working assumption that these will be published in October 2020. The Blue Book and Pink Book 2020 are expected to focus on improved methods and data sources for the compilation of GDP, particularly improvements to deflators. They will also address several areas for further improvement identified following a comprehensive audit of the methods used across EU countries.

## 3 . Scope

This section briefly explains the main methodological improvements to be implemented in the Blue Book and Pink Book 2019.

### Transformation of the GDP framework

In Blue Book 2019, we will introduce a new framework to produce real gross domestic product (GDP). This framework is the international “gold standard” in producing fully reconciled GDP estimates. Supported by improvements to important data sources, this new framework will come together to give an approach to measuring GDP that is fit for the future.

The adoption of this new framework will change our approach to deflation (adjusting for price changes). By using consistent deflators for goods and services produced in the economy, we will produce a better, consistent and more coherent measure of economic activity.

This will also meet our long-held aim of producing “double deflated” estimates of gross value added (GVA) by industry. Double deflation is widely recognised as the best approach to producing volume estimates of GVA and has been the focus of recommendations from the National Statistics Quality Review and the Independent Review of UK Economic Statistics.

The first in a series of articles describing [National Accounts: Transformation of GDP in Blue Book 2019](#) was published on 11 October 2018. This article outlines the new framework, defines double deflation and explains why it is considered best practice underlying the estimation of volume GVA, and in turn, GDP.

Implementation of this will enhance the comparability between the UK National Accounts and other leading National Statistical Institutions, including Australia, US, France, Germany, Italy and Japan.

### Enhancements to data sources

A suite of enhanced data sources will be introduced in the UK National Accounts for Blue Book 2019. This will include increased data quality for the financial and services sectors.

The Financial Services Survey was set up to collect the data needed to meet the requirements of the full sequence of national accounts for the financial sector. In Blue Book 2019, the use of these data will improve the data for output and intermediate consumption components of the other financial institutions sector.

As part of the [Economic Statistics and Analysis strategy \(2019\)](#), we have been delivering improvements to the measurement of the services sector, to better reflect the modern economy through the development of a new services enquiry ([Annual Survey of Goods and Services \(ASGS\)](#)). Within the UK, the services industries represent a large proportion of gross domestic product (GDP) (80%), in comparison with the manufacturing industries (10%). The ASGS collects information on a business’s turnover, broken down into the individual services and goods provided, as well as whether the turnover was generated from customers based inside the UK or those abroad. These data will be incorporated into Blue Book 2019 for the first time, improving the quality of product breakdowns in the supply and use tables, and in turn the quality of balancing and GDP.

In line with plans outlined in an article last year on [changes to be implemented for Blue Book and Pink Book 2018](#), the data compiled from the new survey to collect purchases data will be used in the compilation of Blue Book 2019. It will be used to update the supply and use framework with new weights used to derive estimates of intermediate consumption and therefore estimates of GVA by industry.

## Use of VAT data

An extensive development programme to implement administrative data from Her Majesty's Revenue and Customs (HMRC) [Value Added Tax \(VAT\) turnover data into the national accounts](#) has been undertaken. In December 2017, the VAT data were first introduced into the quarterly national accounts and incorporated into the compilation of the output approach to gross domestic product (GDP(O)).

From mid-2019 we will begin to make greater use of VAT data, resulting in the use of over 200,000 VAT records to replace approximately 6,000 questionnaires. This will largely replace surveys for small businesses in the retail, wholesale and motor trade industries of the economy, leading to a significant reduction in the number of questionnaires sent to UK businesses each month. We will incorporate these data in 2019.

## Trade statistics

Blue Book 2019 will introduce new data and systems to the measurement of the UK's trading relationships with the rest of the world. This will include the introduction of additional new systems for more efficient processing of trade in goods data with the ability to handle the more granular data, which we are now producing on a regular basis.

On 24 October 2018, our trade development team will publish a series of articles that will provide further details on progress to date and the upcoming development of trade statistics. It will also publish articles on trade in goods by industry, country and commodity and international trade in services by partner country.

## Capital stock

A review of the asset lives used in the measurement of capital stock and the related flows has been undertaken for Blue Book 2019. This includes the re-establishment of estimation of the Perpetual Inventory Method (PIM) at the industry, asset and institutional sector level. It also involves the introduction of calculations to provide full reconciliation between the opening and closing balance sheet – such as gross fixed capital formation, consumption of fixed capital, holding gains or losses, and other changes in volume.

Other highlights of the main improvements to be incorporated in Blue Book and Pink Book 2019 include:

- continued commitment to publish historic datasets (that is, data for the period prior to 1997) alongside the Blue Book and Pink Book consistent datasets
- continued reconciliation work between the [public sector finances statistics and the national accounts](#)
- improved processing systems of research and development

## 4 . Revisions

These improvements may lead to revisions throughout the published time series. Any revisions prior to 2014 would mainly be due to methods changes, whilst the years 2015 to 2017 will also be fully open for revision to allow the incorporation of new data from sources such as the Annual Business Survey.

The package of improvements to the measurement of gross domestic product (GDP) – a new framework, source data and the introduction of double deflation – could lead to revisions of current price and volume estimates of GDP, both at the total economy level and by industry.

## 5 . Communication

To keep you informed on all changes to the national accounts, we will adopt a similar approach to that taken in previous Blue Books and Pink Books. We will publish a series of articles in the lead up to the publication highlighting the impacts of the main changes detailed in this article. The changes will also be presented at various seminars and user groups.

Table 1 gives a provisional schedule for the articles leading up to the publication of Blue Book and Pink Book 2019 on 31 October 2019. Final dates will be announced at least one month before each publication.

**Table 1: Provisional publication schedule for Blue Book and Pink Book 2019**

<b>Content of article</b>	<b>Provisional date of publication</b>
Impact on GDP current price and chained volume measure quarterly and annual estimates 1997 to 2014	End April 19
Detailed assessment of changes to Sector and Financial Accounts: 1997 to 2014	May-19
Detailed assessment of changes to Balance of Payments: 1997 to 2014	May-19
Impact on GDP current price and chained volume measure quarterly and annual estimates 1997 to 2017	Late July to August 19
Detailed assessment of changes to Sector and Financial Accounts: 1997 to 2017	Aug-19
Detailed assessment of changes to Balance of Payments: 1997 to 2017	Aug-19
Publication of Blue Book and Pink Book 2019 consistent Quarterly National Accounts, Quarterly Sector Accounts and Balance of Payments	Sept- 19
Publication of Blue Book 2018 and Pink Book 2019	Oct-19

Source: Office for National Statistics