

Article

Latest developments and changes to be implemented in Blue Book and Pink Book 2020

Planned scope and content of the UK National Accounts, the Blue Book and UK Balance of Payments, the Pink Book 2020 editions.

Contact:
Emma Howley
blue.book.coordination@ons.gov.
uk
+44 (0)1633 455190

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1 . Summary

This article is part of a series describing changes to the UK National Accounts, detailing the improvements being made to national accounts in Blue Book 2020 and Pink Book 2020, to ensure that the UK National Accounts continue to provide the best possible framework for analysing the UK economy and for international comparison.

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 in Section 4, Communication.

2 . Introduction

Every year the Office for National Statistics (ONS) updates the sources and methods for the UK National Accounts and publishes the latest estimates (including revisions to past periods) in the annual “UK National Accounts, the 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; this year their reference and base years will be moved forward two years to 2018. 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 such as 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 2020 will be consistent with the Blue Book and Pink Book 2020, published on 30 October 2020.

The UK National Accounts are aligned to international standards, specifically the System of National 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 ESA 2010, which replaced the European System of Accounts 1995 (ESA 1995). The balance of payments was published in line with the [Balance of Payments and International Investment Position Manual sixth edition \(BPM6\)](#).

As the UK leaves the EU, it is important that our statistics continue to be of high quality and are internationally comparable. During the implementation period, the UK’s statistics will continue to align to EU practice and rules in the same way as before 31 January 2020.

After the implementation period, we will continue to produce our national accounts statistics in line with the UK Statistics Authority’s [Code of Practice for Statistics](#) and in accordance with internationally agreed statistical guidance and standards enabling comparability over time and internationally.

The Withdrawal Agreement outlines a need for UK gross national income (an important component of the national accounts, which includes GDP) statistics to remain in line with those from the EU, until the EU budgets are finalised for the years in which we were a member.

As part of Blue Book 2019, we announced a systematic programme of improvements to the UK National Accounts, as set out in the article [Transformation of gross domestic product in Blue Book 2019](#) published on 11 October 2018. This year we will continue along that journey and alongside this article we have published a further article, [A new framework for UK GDP: progress, challenges and the future](#), which outlines our progress, challenges and next steps in introducing a new framework for UK GDP, including introducing double-deflated estimates of industry gross value added (GVA). We hope to publish the outcome of this work in an experimental format alongside the Blue Book 2020 and Pink Book 2020 releases in October 2020.

The Blue Book and Pink Book 2020 are expected to focus on improved methods and data sources for compilation of GDP, in particular, improvements to deflators, and addressing several areas for further improvement identified following a comprehensive audit of the methods used across European countries.

We are also currently planning the scope of the improvements to be made for the Blue Book and Pink Book in 2021, with a working assumption that these will be published in October 2021.

3 . Scope

The scope of Blue Book 2020 is focused around two main areas: the implementation of changes laying the ground for the introduction of double deflation, and the implementation of changes to improve international comparability as highlighted by Eurostat as part of their verification of the UK National Accounts.

This section briefly highlights some of the main methodological improvements to be implemented in the Blue Book and Pink Book 2020.

Financial services

One of the largest of these will improve estimates of the financial services sector as part of our [enhanced financial accounts \(EFA\)](#) project, while also enhancing international comparability.

This change is a continuation of the work first introduced in the national accounts in 2017 following the redevelopment of the Securities Dealers' Survey.

The enhanced survey now collects the data required to construct a full sequence of national accounts for the other financial institutions sector (firms that are not banks, insurance companies or pensions funds), including the significant inputs required for deriving an estimate of market output (P.11) and intermediate use (P.2) as well as the main income components of gross value added (GVA). For Blue Book 2020, these two elements of the survey will be incorporated into the national accounts enriching the estimates currently published within the production approach.

Business prices

Another notable change to be introduced in Blue Book 2020 is method improvements to business price statistics. Blue Book 2020 will incorporate new business prices methods; moving from a rebased series to annual chain-linked series. This will be a method improvement for the Producer Price Indices and the Services Producer Price Indices, which are widely used in the national accounts as the source for deflation. The method will better reflect the changing economy through annual updates of the weight put on each of the component series. The method of chain-linking is international best practice for the compilation of price indices.

Research and development

Several improvements will be made to measuring research and development (R&D) impacting all years since 1997. These include:

- new method to remove software from the estimates of R&D
- creation of a historic R&D expenditure dataset to be used during the perpetual inventory model (PIM), as this allows the PIM model to accumulate to a fully enumerate starting stock
- identification of public corporations on the Business Enterprise Research and Development (BERD) Survey will be aligned with the official public corporations used within national accounts
- updated survey data for BERD and Survey of Research and Development carried out in the UK (private non-profit organisations) will be used
- the latest estimates for rate of return and asset lives will be incorporated in the estimation process

Agriculture

Updates to the estimates of changes in inventories data for agriculture. Previously forecast data for finished goods and work-in-progress of animal and vegetable products, which were based on the Annual Business Survey, will be replaced with actual Department for Environment, Food and Rural Affairs (Defra) data for trading livestock, crops and stocks but not breeding stock.

Trade

Continuation of the [Transformation of Trade Statistics](#) with the inclusion of new data sources and methods associated with the cross-border travel and transport.

Natural capital

In collaboration with the Department for Environment, Food and Rural Affairs (Defra) and numerous experts outside the government, the ONS has developed natural capital accounts over the last 10 years. These have been constructed in accordance with the United Nations System of Environmental-Economic Accounting, so that they articulate, and are consistent with the UK National Accounts. The natural capital accounts measure the stock of natural assets and the flow of services from them that people receive and value. These services are widely drawn, including for example, recreational and physical health benefits, as well as direct benefits from natural assets such as food production and renewable energy. Measuring natural capital is one part of the wider move to measure the so-called “missing capitals”. The natural capital accounts will be presented alongside the traditional UK National Accounts aggregates such as gross domestic product (GDP) to give a richer understanding of the interlinkages between the environment and the economy.

4 . 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.

Table 1 gives a provisional schedule for the articles leading up to the publication of Blue Book and Pink Book 2020 on 30 October 2020. Final dates will be announced at least one month before each publication.

Table 1: Provisional publication schedule for Blue Book and Pink Book 2020

Content of article	Provisional date of publication
Latest developments and changes to be implemented in Blue Book and Pink Book 2020	February 2020
A new framework for UK GDP: Progress, challenges and the future	February 2020
Impact on GDP Current Price and Chained Volume Measure quarterly and annual estimates 1997 to 2015 ¹	June 2020
Detailed assessment of changes to Sector and Financial Accounts: 1997 to 2015	July 2020
Detailed assessment of changes to Balance of Payments: 1997 to 2015	July 2020
Impact on GDP, Sector and Financial Accounts and balance of payments quarterly and annual estimates 1997 to 2018 ¹	August 2020
Publication of Blue Book and Pink Book 2020 consistent Quarterly National Accounts, Quarterly Sector Accounts and Balance of Payments	September 2020
Publication of Blue Book 2018 and Pink Book 2020	October 2020

Notes

1. Detailed methodological articles to support the data changes will be published alongside articles where applicable. [Back to table](#)