Office for National Statistics

Statistical bulletin

GDP quarterly national accounts, UK: July to September 2020

Revised quarterly estimate of gross domestic product (GDP) for the UK. Uses additional data to provide a more precise indication of economic growth than the first estimate.

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1 . Main points

- UK gross domestic product (GDP) is estimated to have increased by a record 16.0% in Quarter 3 (July to Sept) 2020, revised from the first estimate of 15.5% growth.

- Though this reflects some recovery of activity following the record contraction in Quarter 2 (Apr to June) 2020, the level of GDP in the UK is still 8.6% below where it was at the end of 2019, revised from an initial estimate of 9.7%.

- Compared with the same quarter a year ago, the UK economy fell by a revised 8.6%.

- While output in the services, production and construction sectors increased by record amounts in Quarter 3 2020, the level of output remains below Quarter 4 (Oct to Dec) 2019 levels, before the impact of the coronavirus (COVID-19) pandemic was seen.

- There has been a recovery in private consumption, government consumption and, to a lesser extent, business investment in Quarter 3 2020 in line with the easing of public health restrictions, however, the levels remain below their pre-lockdown level.

- The households' saving ratio decreased to 16.9% in Quarter 3 2020, compared with 27.4% in Quarter 2 2020.

GDP estimates for Quarter 3 2020 are subject to more uncertainty than usual as a result of the challenges we faced estimating GDP in the current conditions.

2 . Things you need to know about this release

Gross domestic product (GDP) growth is the main indicator of economic performance. There are three approaches used to measure GDP:

- the output approach

- the expenditure approach

- the income approach

Further information on all three approaches to measuring GDP can be found in the Guide to the UK National Accounts. Data in chained volume measures within this bulletin have had the effect of price changes removed (in other words, the data are deflated), except for income data, which are only available in current prices.

In line with the National Accounts Revisions Policy, revisions are open back to Quarter 1 (Jan to Mar) 2019 as part of this publication. Further information on these revisions is available in the Revisions to GDP section.

There were increased challenges around balancing GDP growth for 2019, in part because of heightened uncertainty around the impact of the UK's planned exit from the EU on the activity of businesses. This has been reflected in the adjustments that have been applied to the expenditure estimates (Table 7). For this reason, we recommend the breakdown of the expenditure approach to GDP is considered in the context of these adjustments. Further information on these adjustments is available in the Quality and methodology section.

As a result of the increased challenges and uncertainty in balancing quarterly GDP in this release, expenditure and income alignment adjustments for the quarters of 2019 do not sum to zero over the year.

While this alignment adjustment adds to both expenditure and income GDP in 2019, it does not change the annual 2019 rate of GDP growth to 1 decimal place. We will look to reconcile these differences in Blue Book 2021 in line with the National Accounts Revisions Policy.

Impact of the coronavirus (COVID-19)

This release captures the direct effects of the coronavirus (COVID-19) pandemic and the government measures taken to reduce transmission of the virus. We have faced an increased number of challenges in producing quarterly estimates of UK GDP for Quarter 3 (July to Sept) 2020. More detailed information on the challenges and the steps taken to mitigate those can be found in Coronavirus and the effects on UK GDP.

As a result of these challenges, GDP estimates for Quarter 3 2020 are subject to more uncertainty than usual and are likely to have larger than usual revisions in subsequent releases.

Additionally, as a result of the unprecedented impacts and interventions in the economy, we have particular uncertainty around the income approach to measuring GDP in this release. For more information see Section 6: Income.

End of EU exit transition period

After the transition period ends on 31 December 2020, the UK statistical system will continue to collect and produce our wide range of economic and social statistics. We are committed to continued alignment with international statistical standards, enabling comparability both over time and internationally and we will work with users of statistics to make sure they have the data they need to support the decisions they have to make.

Additionally, the Withdrawal Agreement outlines a need for UK gross national income (a fundamental component of the national accounts, which includes GDP) statistics to remain in line with those of other EU countries until EU budget contributions are finalised for the years in which we were a member, and making budget contributions during the transition period. To ensure this comparability during this period, the national accounts will continue to be produced according to European System of Accounts (ESA) 2010 definitions and standards until at least 2024.

As the shape of the UK's future statistical relationship with the EU becomes clearer over the coming period, the ONS is making preparations to assume responsibilities that as part of our membership of the EU, and during the transition period, were delegated to the statistical office of the EU, Eurostat. This includes responsibilities relating to international comparability of economic statistics, deciding what international statistical guidance to apply in the UK context and to provide further scrutiny of our statistics and sector classification decisions.

In applying international statistical standards and best practice to UK economic statistics, we will draw on the technical advice of experts in the UK and internationally, and our work will be underpinned by the UK's well-established and robust framework for independent official statistics, set out in the Statistics and Registration Service Act 2007. Further information on our proposals will be made available in early 2021.

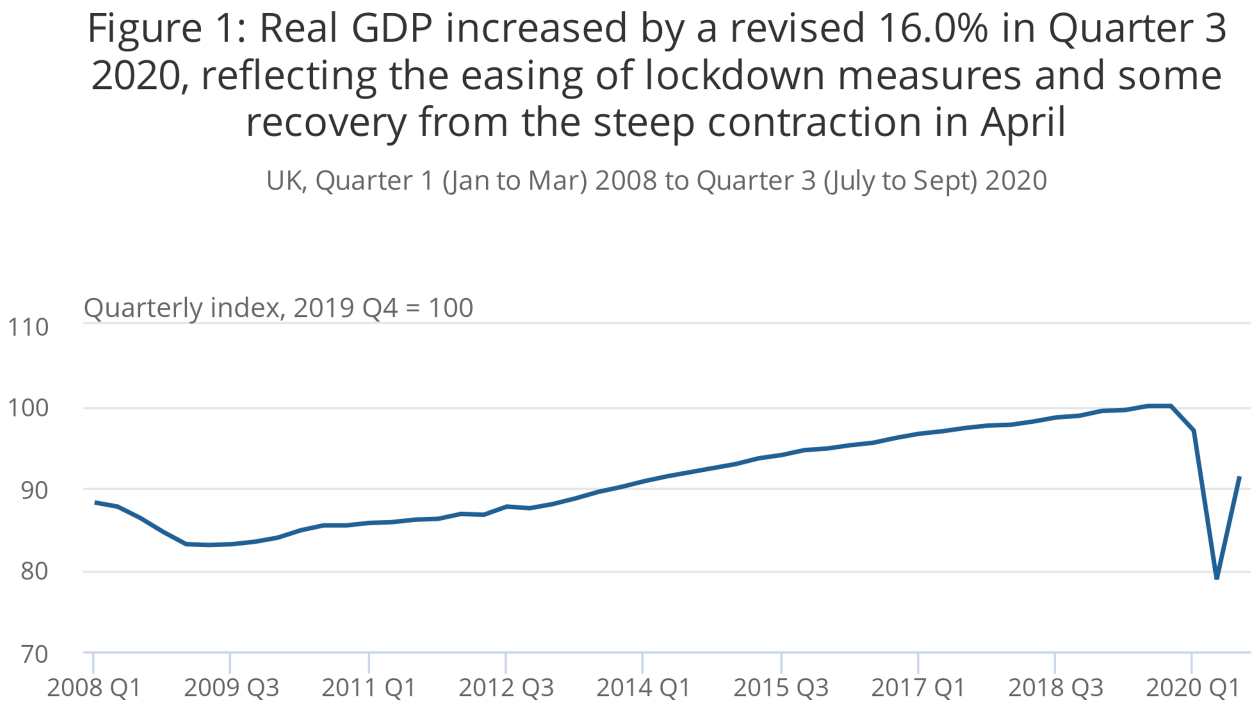
3 . Headline GDP

UK gross domestic product (GDP) is estimated to have increased by 16.0% in Quarter 3 (July to Sept) 2020, revised from the first estimate of 15.5% growth. This is the largest quarterly expansion in the UK economy since Office for National Statistics (ONS) quarterly records began in 1955. This reflects the effects of the easing of lockdown restrictions in the third quarter as well as some recovery of activity from the steep contraction in April (Figure 1).

These revised estimates show that the cumulative fall in GDP in the first half of 2020 was 21.2%, compared with the previous estimate of a 21.8% cumulative fall, as the UK economy contracted by 3.0% in Quarter 1 (Jan to Mar) followed by a decline of 18.8% in the second quarter (Apr to June). The level of UK GDP in the third quarter was 8.6% below where it was prior to the coronavirus (COVID-19) pandemic at the end of 2019, revised from the previous estimate of being 9.7% lower. Compared with the same quarter a year ago, the UK economy fell by a revised 8.6%.

Figure 1: Real GDP increased by a revised 16.0% in Quarter 3 2020, reflecting the easing of lockdown measures and some recovery from the steep contraction in April

UK, Quarter 1 (Jan to Mar) 2008 to Quarter 3 (July to Sept) 2020



Source: Office for National Statistics - GDP quarterly national accounts

Notes:

1. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

2. Index is referenced to Quarter 4 (Oct to Dec) 2019.

In line with the National Accounts Revisions Policy, all quarters from Quarter 1 (Jan to Mar) 2019 onwards are open for revision. The revisions made in this publication reflect a variety of factors, including new survey data, new Value Added Tax (VAT) turnover data and updates to seasonal factors. More information can be found in the Revisions to GDP section.

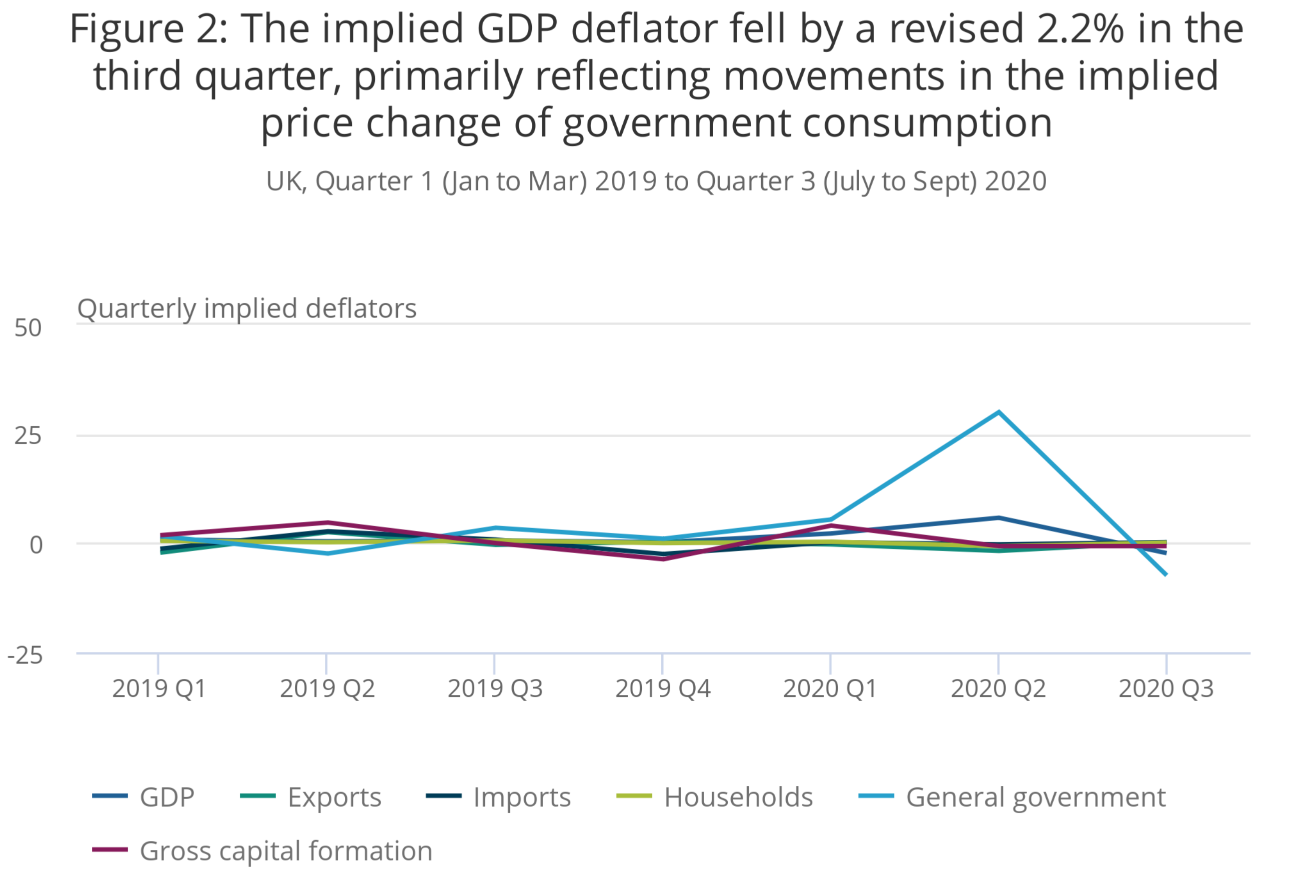
Looking at the quarterly path of GDP in 2019, there were upward revisions to growth in the second and third quarters, whilst growth in the fourth quarter was revised slightly downwards. As a result of these revisions, annual GDP growth in 2019 has been revised up to 1.4%.

An indicative monthly path associated with today's figures can be found in the Links to related statistics section. These figures indicate that GDP grew by 6.5% in July 2020, slowing to 2.1% in August and a further easing to 1.1% in September. Monthly figures for October have also been published, suggesting that GDP growth has continued to slow in recent months.

Nominal GDP increased by a revised 13.4% in Quarter 3 2020; its largest quarterly expansion on record and is now 3.4% below its pre-lockdown levels. The implied GDP deflator represents the broadest measure of inflation in the domestic economy, reflecting changes in the price of all goods and services that comprise GDP. This includes the price movements in private and government consumption, investment and the relative price of exports and imports. It fell by a revised 2.2% in the third quarter, primarily reflecting movements in the implied price change of government consumption, which fell by 7.4% in Quarter 3 2020 (Figure 2).

Figure 2: The implied GDP deflator fell by a revised 2.2% in the third quarter, primarily reflecting movements in the implied price change of government consumption

UK, Quarter 1 (Jan to Mar) 2019 to Quarter 3 (July to Sept) 2020



Source: Office for National Statistics - GDP quarterly national accounts

Notes:

1. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

The volume of government activity in the third quarter increased at a much greater rate than nominal government expenditure. This is partly because of the unwinding in some of the movements that occurred in the second quarter, which saw a fall in the volume of government activity at the same time as an increase in government expenditure in nominal terms.

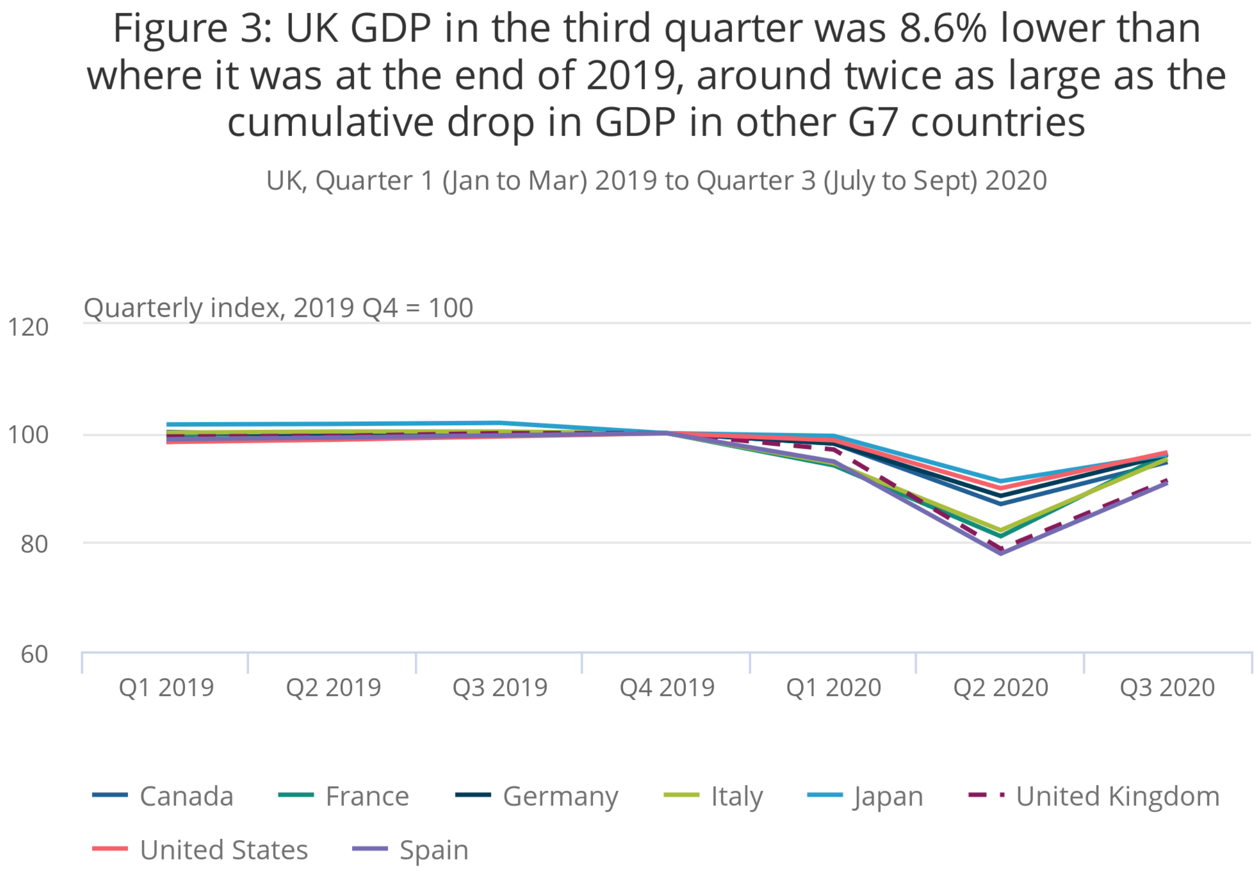
For example, there was a large increase in nominal government spending on health in the second quarter while the volume of government healthcare consumption fell. In the third quarter, nominal spending on health was largely unchanged, while volumes increased because of a strong recovery in elective surgery and GP services, which has impacted upon the growth rate of the implied deflator in the third quarter. In education, the large fall in the volume of education activity in the second quarter as a result of school closures throughout the lockdown period, followed by the large increase in the third quarter as schools reopened, help explain the most recent quarterly movement in the implied deflator.

Statistical guidance recommends measuring many aspects of government output directly, by counting activities, rather than by adjusting expenditure for price movements. Compared with the same quarter a year ago, the implied GDP deflator increased by a revised 5.8%, an easing from the previous quarter.

Other countries have now published estimates of GDP for the third quarter of 2020. These estimates show record rises in GDP in the third quarter of 2020 following record declines in the previous quarter. Figure 3 shows that the level of GDP in each of these countries remains below where it was before the effects of the coronavirus (COVID-19) pandemic. Considering the cumulative fall in GDP in the first three quarters of this year, the UK experienced the second-largest drop amongst the countries shown in Figure 3, with Spain experiencing the largest cumulative fall. The UK economy was 8.6% lower in Quarter 3 2020 compared with the end of 2019. This is around twice as large as the cumulative drop in GDP in other G7 countries.

Figure 3: UK GDP in the third quarter was 8.6% lower than where it was at the end of 2019, around twice as large as the cumulative drop in GDP in other G7 countries

UK, Quarter 1 (Jan to Mar) 2019 to Quarter 3 (July to Sept) 2020



Source: Office for National Statistics, Organisation for Economic Co-operation and Development

Notes:

1. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

2. Index is referenced to Quarter 4 (Oct to Dec) 2019.

3. Data as at 17 December 2020.

4. In addition to G7 countries, Spain has been included in this international comparison analysis because of the similarity of its recent GDP performance with the UK.

It is important to note that the extent of these cumulative falls has not been uniform across countries, in part reflecting the spread of the virus in each country, the timing of lockdown measures and when these were lifted, as well as the voluntary forms of social distancing. They also likely reflect the structural features of these economies as some industries are more exposed to the response to the pandemic, such as those that involve interactions with other people.

Additionally, they might also reflect differences in how non-market output is measured in different countries, specifically the extent to which volume indicators are in place and how these have been affected by the pandemic. Consistent with international guidance, the Office for National Statistics (ONS) uses direct measures of the volume of activity to estimate the volume of non-market output such as health and education. International comparisons should be made with care if the estimates being compared are based on different approaches to measuring the volume of non-market output.

Table 1: Headline national accounts indicators for the UK
Office for National Statistics - GDP quarterly national accounts

% growth[1]	Chained volume measures				Current market prices		
	GDP	**Household expenditure**	**Gross fixed capital formation**	**GDP per head[3]**	**GDP**	**Compensation of employees**	**GDP implied deflator**
Seasonally adjusted							
2019	1.4	1.1	1.5	0.9	3.6	4.8	2.1
Q1 2019	0.6	0.0	2.1	0.4	1.3	0.2	0.8
Q2 2019	0.1	0.6	-1.1	0.0	0.6	2.2	0.4
Q3 2019	0.5	0.1	1.3	0.3	1.1	1.0	0.6
Q4 2019	0.0	-0.3	-1.6	-0.1	0.2	0.9	0.2
Q1 2020	-3.0	-3.0	-0.9	-3.2	-0.9	0.6	2.2
Q2 2020	-18.8	-22.2	-22.8	-18.9	-14.1	-2.8	5.8
Q3 2020	16.0	19.5	17.9	15.9	13.4	3.9	-2.2

Notes

1. Percentage change on previous period.
2. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).
3. Population data are consistent with the 24 June 2020 published estimates.

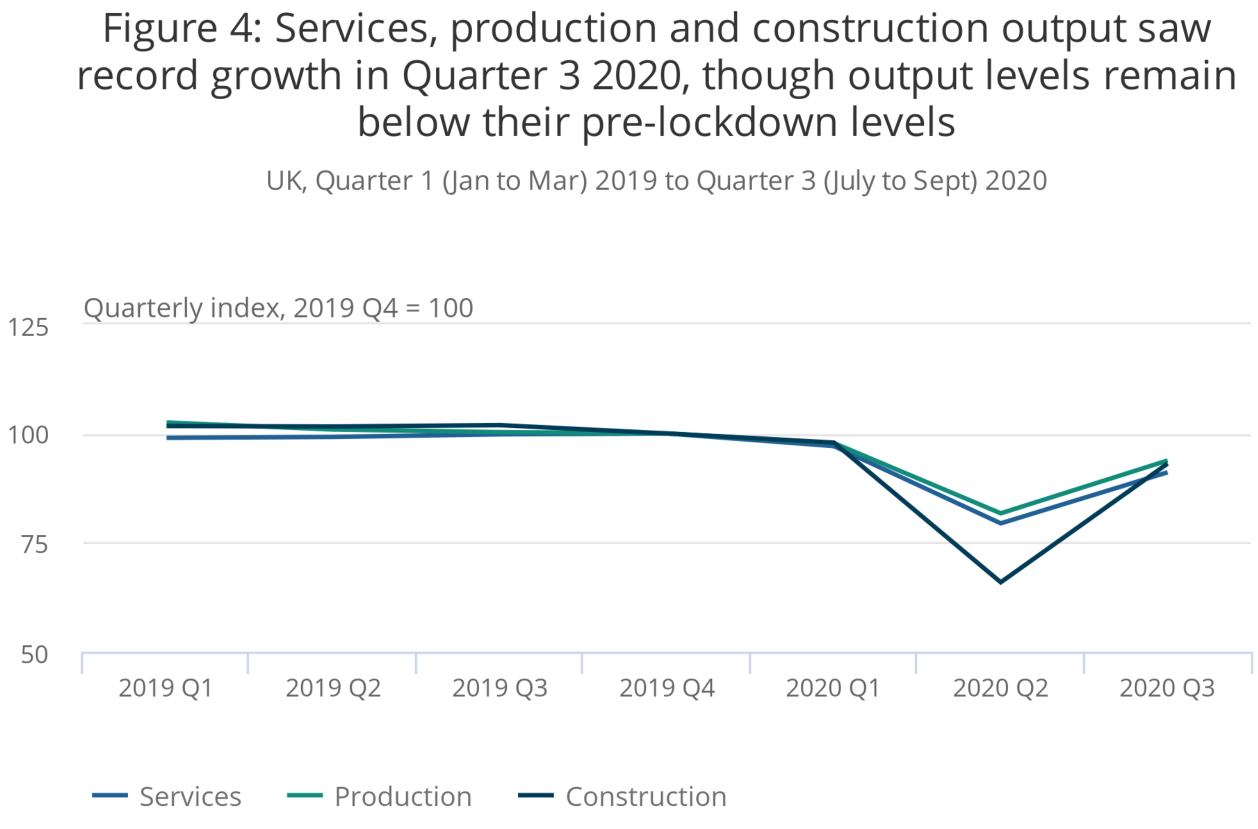
4 . Output

The quarterly increases in services, production and construction output in Quarter 3 (July to Sept) 2020 were the largest on record, mainly reflecting the easing of lockdown restrictions through this three-month period and base effects from the steep contractions of the second quarter (Apr to June). Services output grew by a revised 14.7% in Quarter 3 2020, while production output increased by a revised 14.7%, and construction output expanded by a revised 41.2% (Figure 4).

Despite growth in the latest quarter, the levels of output for these sectors remain below those seen before the impact of the coronavirus (COVID-19) pandemic, the extent of which varies within these industries. Today’s estimates show that output levels in services, production and construction in Quarter 3 2020 were 8.9%, 6.2% and 7.0% below their Quarter 4 (Oct to Dec) 2019 levels respectively.

Figure 4: Services, production and construction output saw record growth in Quarter 3 2020, though output levels remain below their pre-lockdown levels

UK, Quarter 1 (Jan to Mar) 2019 to Quarter 3 (July to Sept) 2020



Source: Office for National Statistics - GDP quarterly national accounts

Notes:

1. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

2. Index is referenced to Quarter 4 (Oct to Dec) 2019.

Services

Services output increased by 14.7% in Quarter 3 2020 (Figure 5), an upward revision from the first estimate. The increase was largely driven by 31.0% growth in wholesale and retail trade and repair of motor vehicles and motorcycles, which has now recovered output to above its Quarter 4 2019 level. This has mainly reflected the reopening of car showrooms and significant pent-up demand.

There was also a recovery in retail trade in the third quarter because of strong increase in non-food stores and a record proportion of online sales. Data on retail park footfall provided by Springboard show a recovery since the beginning of July, with footfall remaining above 80% of 2019 levels during Quarter 3 2020.

Accommodation and food service activities also made a notable contribution to services growth in the third quarter, particularly in July and August because of the combined impact of easing restrictions and the Eat Out to Help Out scheme, which boosted consumer demand for restaurants and bars. According to OpenTable data on restaurant bookings, the number of seated diners increased since the easing of lockdown restrictions at the start of July, with levels in August 2020 close to their 2019 levels.

Within accommodation, there was also a boost from domestic “staycations” in the third quarter. However, it is worth noting that output in accommodation and food service activities in the third quarter was still 28.2% below its level in Quarter 4 2019. According to the Quarter 3 2020 Bank of England Agents’ Summary of Business Conditions, “demand for business travel, hotels, conferencing and corporate entertainment remained particularly weak” in Quarter 3 2020.

Education and health also contributed to the growth in services in the third quarter, with growth of 25.1% and 16.3% respectively. For more information on health and education estimates in the third quarter of 2020, please refer to Section 5: Expenditure.

Following three consecutive quarters of decline, output of financial and insurance activities increased by 2.1% in Quarter 3 2020. According to the Quarter 3 2020 Bank of England Agents’ Summary of Business Conditions, “insurance and corporate banking activity continued to hold up”. Meanwhile, the quarterly CBI Service Sector Survey stated that business volumes in business and professional services “fell sharply in the three months to August, but at a slightly slower pace than the previous quarter”.

Figure 5: Services output grew by a revised 14.7% in Quarter 3 2020, though the level of services output was still 8.9% lower than where it was at the end of 2019

UK, Quarter 4 (Oct to Dec) 2019 to Quarter 3 (July to Sept) 2020

Notes:

1. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

2. Index is referenced to Quarter 4 (Oct to Dec) 2019.

Download the data

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Production

Production output increased by 14.7% in Quarter 3 2020, an upward revision from the first estimate, as all four production sub-industries expanded in the latest quarter. This follows the 18.3% cumulative fall in output experienced in the first half of this year. Production output remains 6.2% below its Quarter 4 2019 level (Figure 6), slightly revised from the previous estimate of 6.3%.

Figure 6: Production output grew by 14.7% in Quarter 3 2020, though output remains 6.2% below its Quarter 4 2019 level

UK, Quarter 4 (Oct to Dec) 2019 to Quarter 3 (July to Sept) 2020

Notes:

1. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).
2. Index is referenced to Quarter 4 (Oct to Dec) 2019.

Download the data

.xlsx

Manufacturing output grew by 19.5% in Quarter 3 2020, though output remains 7.1% below where it was in Quarter 4 2019. The increase in manufacturing output in the third quarter reflects growth in 12 out of the 13 manufacturing sub-sectors, most notably the manufacture of transport equipment (Figure 7). However, manufacturing output of transport equipment remains 23.0% below Quarter 4 2019 levels.

According to the Society of Motor Manufacturers and Traders (SMMT), UK car production in September 2020 was 5.0% lower than in the previous year. This was driven by production for export, which declined 9.7% compared with the previous year because of a fall in shipments to important overseas destinations including China, the EU and the United States. Conversely, output for the domestic market – which accounts for less than one quarter of car production – grew by 14.5% compared with a year ago, "largely a result of new models that were in 'run out' in the same month last year".

The Quarter 3 2020 Bank of England Agents' Summary of Business Conditions stated that "automotive manufacturing picked up, especially for electric vehicles – but was still significantly below normal". It also cited that output in the aviation industry was well below normal levels, "reflecting the drop in demand for commercial flights and less maintenance for existing fleet".

Figure 7: Manufacturing output grew by 19.5% in Quarter 3 2020, though output has still not recovered to its pre-lockdown level

UK, Quarter 4 (Oct to Dec) 2019 to Quarter 3 (July to Sept) 2020

Notes:

1. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).
2. Index is referenced to Quarter 4 (Oct to Dec) 2019.

Download the data

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This was partially offset by a 2.6% fall in the manufacture of pharmaceutical products, though this decline mainly reflects a fallback from a general higher demand for pharmaceutical products in the second quarter. Overall, manufacturing output of pharmaceutical products remains 23.9% higher than where it was at the end of 2019. According to the Quarter 3 2020 Bank of England Agents' Summary of Business Conditions, "demand for some chemicals, healthcare and personal protective equipment remained strong, though sales of some pharmaceuticals had been depressed by prioritisation of Covid-19 treatments".

Mining and quarrying output fell by 0.4% in the third quarter of 2020, a downward revision from the first estimate of a 1.3% increase. Output of electricity, gas, steam and air conditioning grew by 7.7% in Quarter 3 2020, a downward revision from the previous estimate of an 8.1% increase. Water supply and sewerage output grew by 5.1% in the third quarter, an upward revision from the first estimate of a 4.8% increase.

Construction

Construction output increased by a revised 41.2% in Quarter 3 2020. The level of construction output in the third quarter is now estimated to be 7.0% below its level in Quarter 4 2019, a revision from the previous estimate of 11.5%. There were upward revisions in Quarter 2 2020 mainly reflecting the incorporation of Value Added Tax turnover data, whilst the downward revision in Quarter 3 2020 reflects new survey data.

The expansion in Quarter 3 2020 reflects increases in both new work, and repair and maintenance because of the reopening of construction sites following the easing of lockdown restrictions. Private new housing was the largest contributor to this pickup in the third quarter. The IHS Markit UK Construction PMI (PDF, 149KB) reports that new orders increased at the quickest rate since February 2020 because of improved demand conditions for homebuilding and commercial projects. Meanwhile, the Quarter 3 2020 Bank of England Agent's Summary of Business Conditions noted that "housebuilding activity was also reported to have picked up, though mostly to complete projects, rather than start new ones".

5 . Expenditure

There has been a recovery in private consumption, government consumption and gross capital formation in Quarter 3 (July to Sept) 2020 in line with the easing of public health restrictions, following record contractions in the second quarter (Apr to June) (Figure 8). However, the levels of expenditure remain below their pre-crisis levels before the impact of the coronavirus (COVID-19) pandemic.

Business investment is 19.0% below where it was at the end of 2019 (Figure 8), while there has been a stronger pickup in household consumption, which is 9.8% lower than its level in Quarter 4 (Oct to Dec) 2019. This might reflect higher levels of economic uncertainty having a more pronounced effect on the willingness of firms to undertake investment, while private consumption has been more responsive to the re-opening of the economy in the third quarter.

Figure 8: There have been large increases in private consumption, government consumption and gross capital formation in Quarter 3 2020, though expenditure remains below pre-lockdown levels

UK, Quarter 4 (Oct to Dec) 2019 to Quarter 3 (July to Sept) 2020

Notes:

1. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

2. Index is referenced to Quarter 4 (Oct to Dec) 2019.

3. Private consumption is household final consumption expenditure and non-profit institutions serving households.

4. Business investment has been presented in this chart rather than gross capital formation as this aggregate will include volatile movements of non-monetary gold and alignment adjustments (applied to the Change in Inventories component).

Download the data

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Private consumption

Household consumption increased by 19.5% in Quarter 3 2020, following a cumulative fall in the first half of the year of 24.6%. There have been upward revisions to the latest two quarters meaning the cumulative contraction is revised downwards from 25.9% over the first six months of the year.

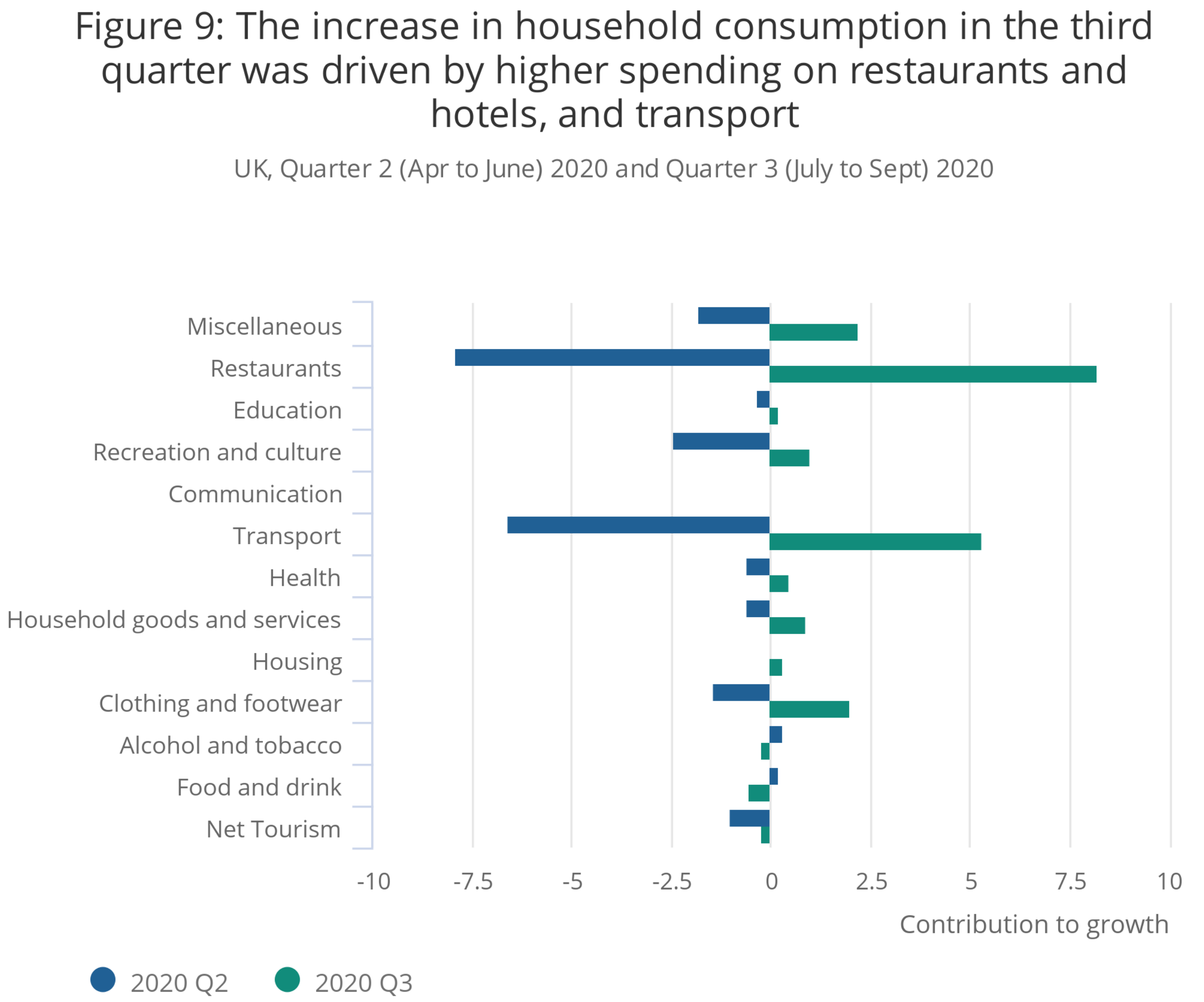
There has been more of a recovery in consumer spending than previously estimated, such that the level of household consumption is now 9.8% below its pre-lockdown levels, compared with 12.4% in the first quarterly estimate. The increase in the third quarter was driven by higher spending on restaurants and hotels, and transport (Figure 9).

Higher spending in restaurants is reflected in OpenTable data on restaurant bookings, showing that the number of seated diners in August 2020 reached similar levels to those seen in the same period of the previous year. The increase in spending on transport is mainly a reflection of higher spending on motor cars and fuel. Other areas of increased spending in the third quarter include clothing and footwear, miscellaneous goods and services, and furniture and household equipment.

There were some revisions to the relative contributions of expenditure categories to household consumption in the latest quarter. In particular, the clothing and footwear, health and miscellaneous categories made a relatively larger contribution to growth in the third quarter, whilst the restaurant category made a relatively smaller contribution to growth compared with the first estimate.

Figure 9: The increase in household consumption in the third quarter was driven by higher spending on restaurants and hotels, and transport

UK, Quarter 2 (Apr to June) 2020 and Quarter 3 (July to Sept) 2020



Source: Office for National Statistics - GDP quarterly national accounts

Notes:

1. Q2 refers to Quarter 2 (Apr to June) and Q3 refers to Quarter 3 (July to Sept).
2. Chart represents contributions to overall household consumption growth.
3. Contributions may not sum exactly because of rounding.

The latest official retail sales figures show a 17.3% increase in the volume of retail sales in the three months to September 2020, the biggest quarterly increase on record. Of note, volume sales within non-store retailing were 36.1% higher in September compared with February, reflecting the ongoing shift to online shopping since the start of the pandemic.

The Quarter 3 2020 Bank of England Agents' Summary of Business Conditions reported a recovery in sales of consumer goods, highlighting faster growth in online sales and that there was "strong demand for household goods, furniture and garden-related items" as well as strong demand for restaurants, which were supported by the government's Eat Out to Help Out scheme. The British Retail Consortium Retail Sales Monitor added that "the sales of electronics, household goods and home office products have remained high" as office workers continued to work from home.

Consumption of government goods and services

The volume of government consumption increased by 10.4% in Quarter 3 2020, an upward revision from the previous estimate of 7.8%. The increase in the third quarter is mainly a reflection of an increase in the volume of activity in health and education.

In volume terms, healthcare consumption grew by 20.7% in the third quarter, a notable upward revision from the previous estimate of a 12.2% increase. This reflects new data on GP services as well as revised estimates for a number of activities including elective surgery, out-patients and critical care. Within healthcare, elective surgery, out-patients (first appointments and follow-up appointments) and GP services have shown strong recovery in the third quarter. As the pressures on the health service relating to COVID-19 reduced over the summer many hospitals increased services such as elective operations and out-patient appointments, while the volume of activity in other areas such as dental services remains low because patient capacity is reduced when following coronavirus safety protocols.

It should be noted that whilst government final consumption expenditure in current prices includes spending on coronavirus testing and tracing. Such activities are not captured within our source data for government final consumption expenditure in volume terms. We have therefore added test and trace adjustments to our volume measure of £200 million in Quarter 2 2020 and £1 billion in Quarter 3 2020. These very approximate initial adjustments are informed by the available in-year spending data for test and trace for the period April to September 2020. We are investigating how to fully capture the activity related to testing and tracing and are aiming to introduce a method early in 2021, effective from April 2020. Please refer to this recently published blog for more information on the latest health estimates.

The volume of education consumption increased by 22.1% in the third quarter, revised from the previous estimate of a 22.5% increase. Schools reopened after the summer holidays in September 2020 (August in Scotland), but attendance was lower than usual. We continue to include estimates for education delivered remotely to pupils learning at home. The volume of education consumption is still 17.0% below its level in Quarter 4 2019. This partly reflects reduced attendance, and partly reflects our approach to discounting remote learning.

In line with international guidance we assume that education continues throughout the year. To measure education during Quarter 3, which includes the summer holiday, we adjusted our approach, accounting for the impact of the coronavirus. A path was interpolated from the end of Quarter 2 through to September. This approach is covered in more detail in a recently published blog.

In nominal terms, the revisions to government consumption expenditure reflect updated data for expenditure on health and much smaller revisions to expenditure in other areas such as education. Within current price expenditure on health, the downward revisions in both Quarter 2 and Quarter 3 2020 reflect updated data for additional purchases of goods and services enabling the NHS to respond to the coronavirus pandemic, including, but not limited to, purchases of additional personal protective equipment (PPE). As a result of these revisions, the implied price change of government consumption was revised downwards by 0.4 percentage points in Quarter 3 2020.

Gross capital formation

Gross fixed capital formation (GFCF) increased by a revised 17.9% in the third quarter of 2020, following a decline of 22.8% in the previous quarter. The level of capital investment remains 9.8% lower than where it was in Quarter 4 2019, compared with 10.6% in the first estimate.

The largest contribution to GFCF in Quarter 3 was dwellings investment, which increased by 71.6% as many of the UK's large housebuilders returned to sites. Business investment also made a large contribution to the increase, growing by 9.4% in Quarter 3 2020, an upward revision from the first estimate of 8.8%. Business investment remains 19.0% lower than where it was at the end of 2019 (Figure 10), compared with the previous estimate of 20.5%. Growth in business investment in the third quarter was driven by increases in investment in buildings, information and communication technology equipment and transport.

Respondent-led evidence suggests that many businesses continued to delay or cancel investment in the third quarter as a result of the coronavirus pandemic, with business responses far more likely to refer to investment decisions as paused (27%) rather than cancelled altogether (2%). The Business Investment bulletin for Quarter 3 2020 contains further analysis of respondent survey comments, which provide supporting evidence for recent business investment movements.

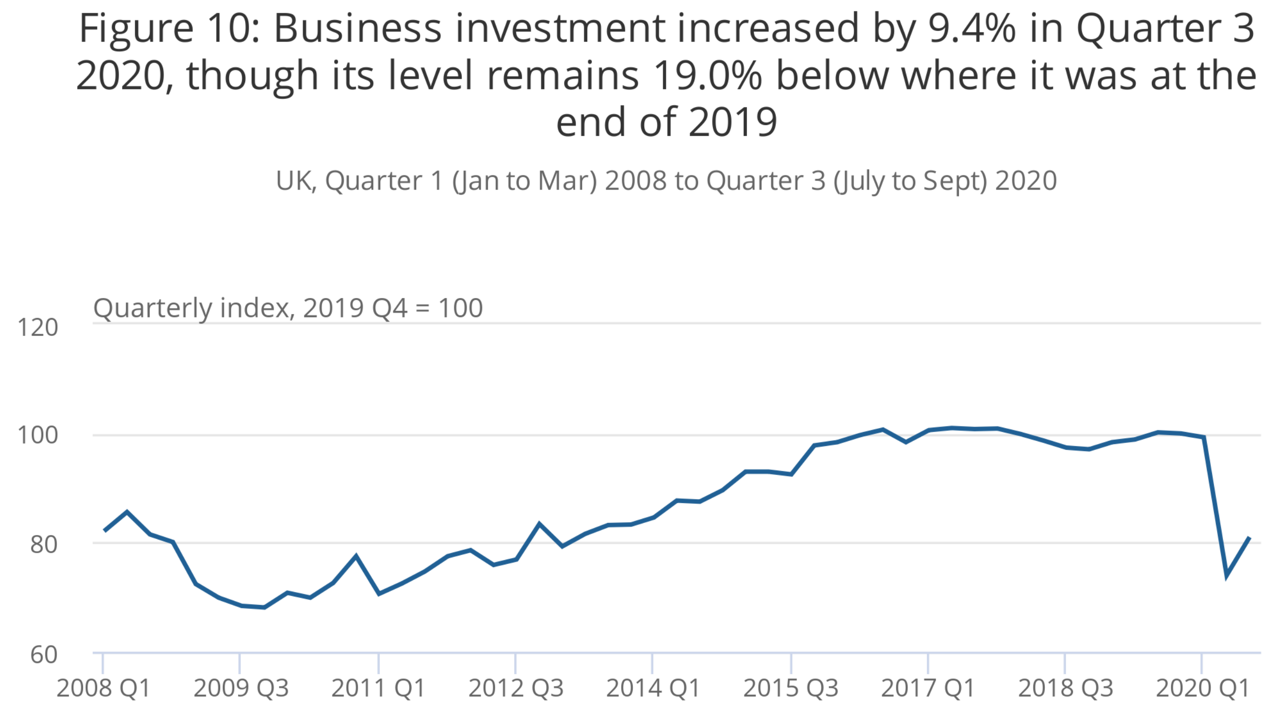
Businesses delaying or cancelling their investment decisions is echoed also in the Quarter 3 2020 Bank of England Agents' Summary of Business Conditions, which states that there were "widespread reports of investment being postponed or cancelled to preserve cash" because of uncertainty, with particular mention of the aviation, automotive, and oil and gas industries. Moreover, the report noted that businesses planning for EU exit "could lead to investment being delayed further".

The Decision Maker Panel noted that "71% of firms viewed overall economic uncertainty as high or very high in September", adding that "investment was expected to be 21% lower in 2020 Q3". For 52% of businesses, EU exit was one of the three most important sources of uncertainty, after the coronavirus and rising geopolitical risks, the highest figure since December 2019.

The Quarter 3 2020 Deloitte CFO Survey found similar results, with 79% of chief financial officers (CFOs) rating the level of external financial and economic uncertainty to be high or very high. According to the survey, 75% of CFOs expect the coronavirus pandemic to have significant or severe negative effects on their business over the next year, with 23% expecting a similar impact from EU exit.

Figure 10: Business investment increased by 9.4% in Quarter 3 2020, though its level remains 19.0% below where it was at the end of 2019

UK, Quarter 1 (Jan to Mar) 2008 to Quarter 3 (July to Sept) 2020



Source: Office for National Statistics - GDP quarterly national accounts

Notes:

1. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

2. Index is referenced to Quarter 4 (Oct to Dec) 2019.

Alignment and balancing adjustments are typically applied to the inventories component to help balance the different approaches to GDP – more detail on these can be found in the [Quality and methodology section] of this bulletin. Therefore, the unadjusted data provide a better understanding of the change in the inventory position of businesses.

Here, the underlying data show an increase of £3.3 billion in stocks being held by UK companies in Quarter 3 2020 (Table 2). This may be linked to businesses "using forward buying strategies to build stocks for Christmas and Brexit", as mentioned in the September [IHS Markit UK Manufacturing PMI (PDF, 168KB)].

Table 2: Change in inventories, including and excluding balancing and alignment adjustments
UK, Quarter 1 (Jan to Mar) 2019 to Quarter 3 (July to Sept) 2020

		Change in Inventories	Of which alignment	Of which balancing	Change in Inventories excluding alignment and balancing
2019 Q1	**Current price**	7490	969		6521
	Chained volume measure	7314	949		6365
2019 Q2	**Current price**	3172	2106		1066
	Chained volume measure	-246	2059		-2305
2019 Q3	**Current price**	-867	2093		-2960
	Chained volume measure	-2352	2035		-4387
2019 Q4	**Current price**	-2443	-3777		1334
	Chained volume measure	-3053	-3684		631
2020 Q1	**Current price**	816	2883		-2067
	Chained volume measure	709	2760		-2051
2020 Q2	**Current price**	414	192	500	-278
	Chained volume measure	-1671	178	500	-2349
2020 Q3	**Current price**	3804	1752		2052
	Chained volume measure	4954	1616		3338

Source: Office for National Statistics - GDP quarterly national accounts

Notes

1. Data are in £ millions.
2. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).
3. As a result of the increased challenges and uncertainty in balancing quarterly GDP in this release, the expenditure alignment adjustments for the quarters of 2019 do not sum to zero over the year. For more information, please refer to the Reaching the GDP balance section.

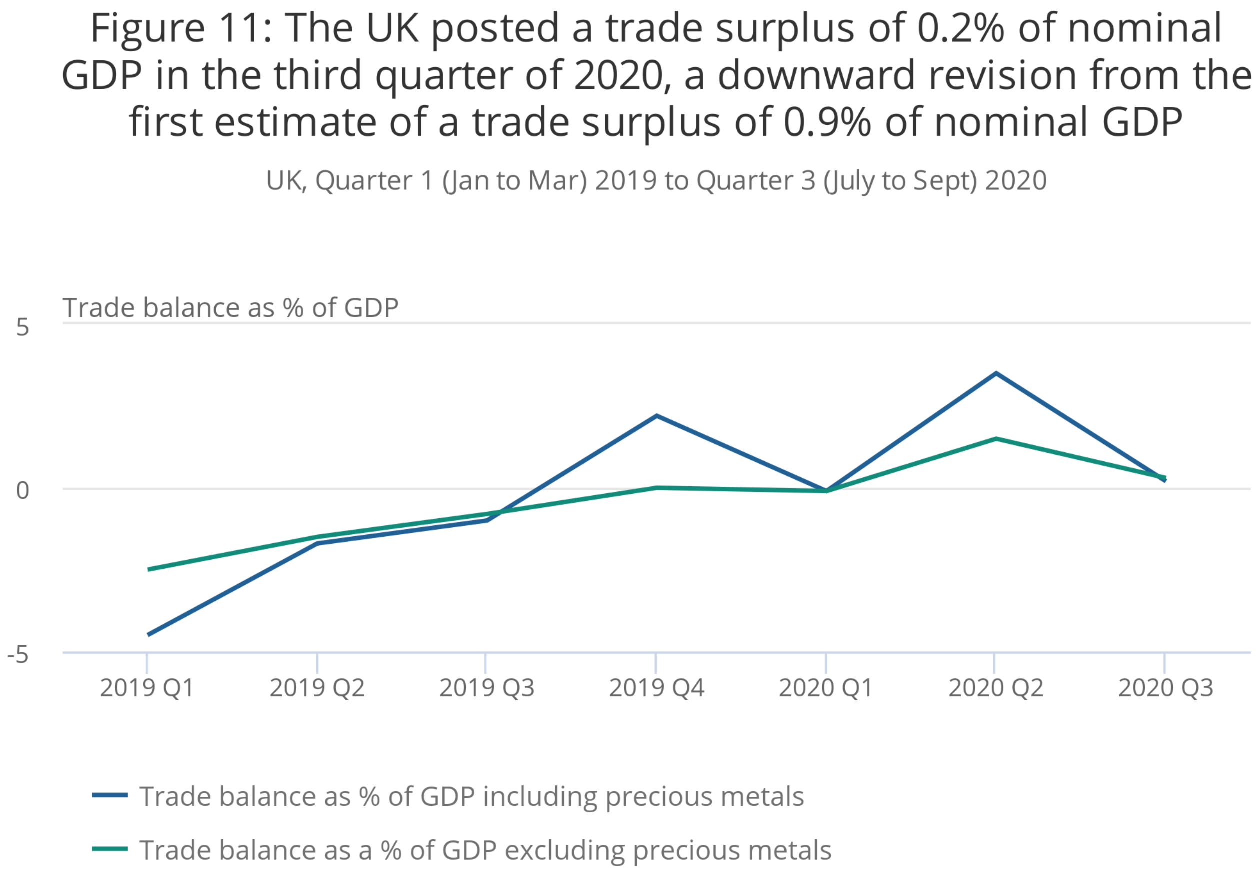
Net trade

There were large falls in gross trade flows in the second quarter, reflecting contractions in global demand as well as disruptions to supply chains. These trade flows have recovered somewhat in the third quarter.

Today’s figures show that the UK posted a trade surplus of 0.2% of nominal GDP in the third quarter of 2020 (Figure 11), a downward revision from the first estimate of a trade surplus of 0.9% of nominal GDP. However, it should be noted that this figure is inclusive of precious metals – including volatile movements of non-monetary gold. When these are excluded, the UK posted a trade surplus of 0.3% of nominal GDP in the third quarter, revised from the previous estimate.

Figure 11: The UK posted a trade surplus of 0.2% of nominal GDP in the third quarter of 2020, a downward revision from the first estimate of a trade surplus of 0.9% of nominal GDP

UK, Quarter 1 (Jan to Mar) 2019 to Quarter 3 (July to Sept) 2020



Source: Office for National Statistics - GDP quarterly national accounts

Notes:

1. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

2. The trade balance is calculated using current price estimates of GDP and net trade.

The revision to the trade balance in the latest quarter was largely driven by trade in goods. This is because the uncertainty from the coronavirus pandemic has meant that the imputation method for some of the goods adjustments has caused larger than usual revisions when replacing the imputed estimates with actual data.

Imports fell by more than exports in the second quarter, in part reflecting the relatively large contraction in UK GDP. Some of this has recovered in the latest quarter, as the UK economy experienced a relatively large pickup in demand. The narrowing of the trade surplus in the third quarter was mainly driven by movements in trade in goods, with goods exports falling by 2.3% and goods imports increasing by 19.9%. The large increase in goods imports was driven by increases in machinery and transport equipment, particularly cars. This is likely because of the reopening of some car dealerships as coronavirus restrictions eased from June onwards and the build-up of demand during this period. There was also an increase in the import of miscellaneous manufactures, reflecting an increase in imports of clothing.

External survey evidence points towards a recovery in export orders towards the end of the third quarter. The September IHS Markit UK Manufacturing PMI (PDF, 168KB) stated that “the ongoing reopening of many economies around the world from lockdowns and changes to COVID-19 restrictions boosted the export performance of the UK manufacturing sector in September”. However, the September CBI Industrial Trends Survey noted that despite a slight strengthening in export order books from their August levels, export order books “continue to be far below their long-run average”.

6 . Income

Nominal gross domestic product (GDP) increased by 13.4% in Quarter 3 (July to Sept) 2020, revised from the previous estimate of a 12.6% increase. Nominal GDP is now a revised 3.4% below its pre-lockdown levels.

We previously referred to possible practical challenges in balancing GDP during the unprecedented impacts and interventions seen across the economy. In particular, within the income approach to measuring GDP there is more uncertainty than usual in Quarter 2 (Apr to June) and Quarter 3, as data content is lower during these periods than for the output and expenditure approaches to measuring GDP.

This in part reflects large government interventions in response to the pandemic in areas such as employment costs via the Coronavirus Job Retention Scheme (CJRS) subsidy to businesses and the Self-Employment Income Support Scheme (SEISS) subsidy to the self-employed. These schemes alongside various business grants, tax deferrals and the Value Added Tax (VAT) rate cut for the hospitality sector have all made the measurement of income more challenging over the latest two quarters.

Several data sources are forecast at this stage in the process and other data sources are not yet complete, leading to possible inconsistencies in the treatment of interventions between the components of income. For these reasons, rather than forcing a GDP balance for income by heavily adjusting the income components, we have decided to show the best estimate of each underlying component of income at this stage.

In doing so, this means that the alignment adjustment – used to align income to average GDP – is far larger than normal, as shown in Table 3. We felt that this both preserves the component level movements and shows the level of challenge and uncertainty currently within the income approach to GDP. The alignment adjustment is usually displayed as an “of which” for the total gross operating surplus (GOS) of corporations, but Table 3 shows the underlying level of GOS for private non-financial corporations excluding this alignment adjustment. Revised estimates of the CJRS and SEISS have helped increase the data content of today’s estimates and hence reduce the scale of the imbalance relative to the first quarterly estimate. We will continue to review this over the coming months as and when more information becomes available.

Table 3: Gross operating surplus of private non-financial corporations, including and excluding balancing and alignment adjustments
UK, Quarter 1 (Jan to Mar) 2019 to Quarter 3 (July to Sept) 2020

	Gross operating surplus of private non-financial corporations	Of which alignment	Gross operating surplus of private non-financial corporations excluding alignment	Gross operating surplus of private non-financial corporations excluding alignment
				Quarter-on-quarter growth
2019 Q1	100513	554	99959	3.1
2019 Q2	96794	-374	97168	-2.8
2019 Q3	101068	845	100223	3.1
2019 Q4	97987	-460	98447	-1.8
2020 Q1	95912	-1196	97108	-1.4
2020 Q2	90427	3120	87307	-10.1
2020 Q3	104972	9435	95537	9.4

Source: Office for National Statistics - GDP quarterly national accounts

Notes

1. Data are in £ millions unless labelled otherwise. Growth rates are percentage movements.

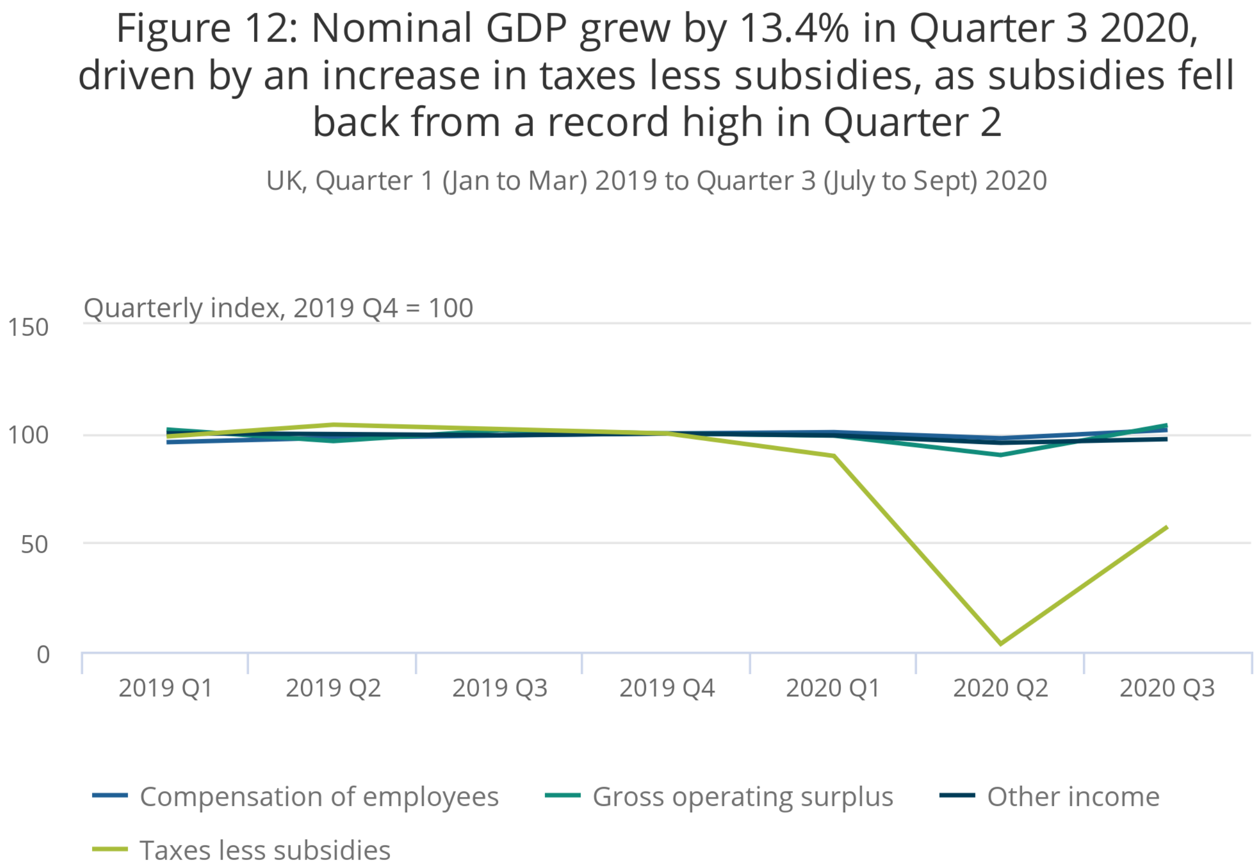
2. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

3. Alignment adjustments typically have a target limit of plus or minus £2,000 million on any quarter. However, in periods where the data sources are particularly difficult to balance, larger alignment adjustments are sometimes needed.,As a result of the increased challenges and uncertainty in balancing quarterly GDP in this release, the income alignment adjustments for the quarters of 2019 do not sum to zero over the year. For more information, please refer to the Reaching the GDP balance section.

Taxes less subsidies increased by 1,480% in the third quarter (Figure 12), reflecting the record high level of subsidies in the previous quarter. Subsidies fell by 52.2%, revised from the previous estimate of a 44.1% fall. The fall in subsidies mainly reflects a reduction in the high levels of subsidy payments related to the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS) that took place in Quarter 2. Revisions to Quarter 2 and 3 2020 subsidy estimates are mainly caused by revisions to the CJRS, as HM Revenue and Customs (HMRC) data replace Office for Budget Responsibility (OBR) forecasts.

Figure 12: Nominal GDP grew by 13.4% in Quarter 3 2020, driven by an increase in taxes less subsidies, as subsidies fell back from a record high in Quarter 2

UK, Quarter 1 (Jan to Mar) 2019 to Quarter 3 (July to Sept) 2020



Source: Office for National Statistics - GDP quarterly national accounts

Notes:

1. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

2. Index is referenced to Quarter 4 (Oct to Dec) 2019.

Following the fall in taxes recorded in the previous quarter, when there was a sharp fall in revenues from VAT, as well as from fuel, tobacco, stamp, and air passenger duties, there has been a 9.4% increase in tax revenues in the third quarter, revised from the first estimate. This was largely driven by an increase in revenue from fuel and tobacco duties. Revisions to tax estimates for the latest quarter are mainly because of updated estimates of VAT receipts.

Compensation of employees (CoE) grew by 3.9% in the third quarter, following a 2.8% decline in Quarter 2. Both estimates were upwardly revised, reflecting new average weekly earnings (AWE) data as well as changes to the Labour Force Survey (LFS) methodology and re-weighting as this survey adapted to telephone interviewing in response to the coronavirus pandemic. Growth in CoE in Quarter 3 2020 was mainly driven by an increase in private sector wages and salaries, reflecting the fact that more people returned to work from furlough. Meanwhile, employers' social contributions grew by a revised 4.1% in Quarter 3 2020, reflecting an increase in employers' redundancy payments.

Following an 12.6% fall in the previous quarter, gross operating surplus (GOS) of corporations (excluding the alignment adjustment) increased by a downwardly revised 9.4% in Quarter 3 2020.

Private non-financial corporations (PNFC) GOS grew by 9.4% in the third quarter, following a 10.1% fall in Quarter 2. Meanwhile, GOS of financial corporations grew by 11.1% in Quarter 3 2020, following a 25.5% decline in Quarter 2. In Quarter 3 2020, the EY UK profit warnings report noted that UK companies issued 58 profit warnings, and that in the year to September, 34% of firms issued a profit warning. In the travel and leisure sector, this figure reached 75% of firms. This reflects sales being below expectations, delayed or discontinued contracts, and increasing costs.

7 . Revisions to GDP

In line with the National Accounts Revisions Policy, the dataset is open to revision back to Quarter 1 (Jan to Mar) 2019 as part of this publication. Revisions to the quarterly path of gross domestic product (GDP) throughout 2019 have been minimal. Annual GDP growth is now estimated to have been 1.4% in 2019.

This release includes the processing and GDP balancing of a number of annual benchmarks for 2019 including the annual International Trade in Services Survey.

We have also incorporated Value Added Tax (VAT) turnover data up to Quarter 2 (Apr to June) 2020 to estimate the output of small businesses for some industries in the output approach to GDP. VAT turnover has only been used to estimate growth rates, with the overall level of output still derived from the Annual Business Survey and other annual benchmark sources.

In addition to the annual benchmarks and integration of VAT turnover, there are also revisions in this release because of the replacement of forecasts with actual survey or external source data and new seasonal adjustment factors.

Table 4: Revisions to quarter-on-quarter growth for components of GDP
Quarter 1 2019 to Quarter 3 2020

Percentage points

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Average GDP in chained volume measures	0.0	0.1	0.2	-0.1	-0.5	1.0	0.5
Output							
Production	0.2	-0.1	-0.2	0.1	-0.1	-0.1	0.4
Construction	0.0	0.1	0.0	-0.6	0.7	3.0	-0.5
Services	0.0	-0.1	0.1	0.0	-0.3	1.0	0.5
Expenditure							
Households	0.2	0.1	0.1	0.1	0	1.4	1.2
Non-profit institutions serving households	-0.3	-0.5	-0.2	0.5	-0.7	1.3	-0.6
General government	0.0	0.3	-0.3	-0.7	0.5	0.1	2.6
Gross capital formation	0.1	-0.1	-0.1	0.1	0.1	-1.2	2.8
Total exports	-1.5	1	0	2.1	-2.4	2.4	-5.5
Total imports	-0.2	0.6	0	-3.5	2.2	1.9	-1.5
Average GDP in current prices	0.0	0.1	0.2	-0.2	-0.4	0.4	0.8
Income							
Compensation of employees	0.0	0.4	0.0	0.0	-0.5	-0.6	0.6
Gross operating surplus of corporations	2.2	-2.5	1.0	-1.3	-2.0	3.6	-7.7
Other income	-0.1	-0.1	0.1	-0.1	0.0	-0.3	0.8
Taxes on products and production less subsidies	-0.5	1.8	-0.1	-1.1	-0.9	-0.8	541.6

Source: Office for National Statistics - GDP quarterly national accounts

Notes

1. Q1 refers to Quarter 1(Jan to Mar) Q2 refers to Quarter 2 (Apr to June) Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

2. Revisions are between the GDP first quarterly estimate published 12 November 2020 and quarterly national accounts published 22 December 2020.

Quarter 1 2019

Gross domestic product (GDP) in volume terms is unrevised at 0.6%. There have been downward revisions to the expenditure approach to measuring GDP, driven by revisions to net trade.

This has been offset by upward revisions to the income approach to measuring GDP, driven by revisions to gross operating surplus of corporations mainly because of revisions to the alignment adjustment.

Quarter 2 2019

GDP growth in volume terms is now estimated to be 0.1%, which is an upward revision compared with previously estimated no growth.

There have been upward revisions to the expenditure approach to measuring GDP, driven by revisions to net trade, household final consumption expenditure and general government expenditure.

Quarter 3 2019

GDP growth in volume terms is now estimated to be 0.5%, revised upwards by 0.2 percentage points from the previous estimate, driven by the expenditure approach to measuring GDP.

The revisions to the expenditure approach are mainly because of revisions to household final consumption expenditure.

Quarter 4 2019

It is now estimated that there was no growth in GDP in volume terms, which is a downward revision compared with a previously estimated increase of 0.1%.

The revision is a result of downward revisions to the income approaches to measuring GDP, driven by revisions to gross operating surplus of corporations and taxes less subsides. The revisions to gross operating surplus of corporations are mainly because of revisions to the alignment adjustment, which is applied to the gross operating surplus of private non-financial corporations and removal of previous balancing adjustments.

Within the expenditure approach, there have been upward revisions to net trade largely as a result of updated data including the annual International Trade in Services Survey and a removal of previous quality adjustments as part of normal production. This revision in net trade has been offset by downward revisions to government expenditure.

Quarter 1 2020

GDP growth in volume terms is now estimated to have fallen 3.0%, revised downwards by 0.5 percentage points from the previous estimate.

There have been downward revisions to all three approaches to measuring GDP. The output revisions are mainly driven by revisions to services and production as a result of updated survey and source data.

The expenditure revisions are primarily a result of revisions to net trade, while the income revisions are primarily a result of compensation of employees, gross operating surplus of corporations and taxes less subsidies.

Quarter 2 2020

GDP growth in volume terms is now estimated to have fallen 18.8%, an upward revision of 1.0 percentage points from the previous estimate.

In the output approach to measuring GDP, which is the lead measure in the latest two quarters, there are upward revisions to services and construction.

The revision to services is largely a result of the incorporation of Value Added Tax (VAT) turnover data up to Quarter 2 (Apr to June) 2020 as well as upward revisions to education and health because of a combination of new data and reprofiling of adjustments to move in line with government expenditure. The revision to construction is the result of the incorporation of VAT turnover data.

There is a notable upward revision to the GDP implied deflator in Quarter 2 2020. This is being driven by upward revisions to the general government expenditure implied deflator.

Quarter 3 2020

GDP growth in volume terms is now estimated to have increased 16.0%, revised upwards by 0.5 percentage points from the previous estimate.

In the output approach to measuring GDP the main driver of the revision is services as a result of a revision to education and health resulting from a combination of reprofiling of adjustments to move in line with government expenditure and incorporating new data, in particular on GP services, which saw strong recovery in Quarter 3 (July to Sept) 2020. There is also an upward revision to production.

In the income approach to measuring GDP, there has been a notable upward revision to the taxes less subsidies component as a result of a downward revision to subsidies because of updated estimates to the Coronavirus Job Retention Scheme.

8 . Quarterly sector accounts

As announced in the article Coronavirus and the effects on UK GDP, the Office for National Statistics (ONS) has temporarily withdrawn the comprehensive Quarterly sector accounts (QSA) statistical bulletin with a brief overview now provided in this bulletin along with the release of a QSA headline bulletin.

The QSA and the associated statistical compendium UK Economic Accounts presents the net lending or borrowing of an institutional sector from both their financial and non-financial accounts as well as a number of important economic indicators, including the household sector's saving ratio. Definitions of these can be found in the QSA headline bulletin.

Figure 13 shows that in the non-financial account, households have reduced their net lending position from 18.6% of GDP in Quarter 2 (Apr to June) 2020 to 8.6% of GDP in Quarter 3 (July to Sept 2020). The reduction in the household net lending position is as a result of increases in spending outpacing increases in income, this is also illustrated in the household saving ratio (Figure 14).

General government continued to be a net borrower at 12.9% of GDP in Quarter 3 2020, a decrease over Quarter 2 2020 where the sector was a record net borrower of 21.6% of GDP. This net borrowing position is driven by additional coronavirus-related expenditure. Central government continued to provide high subsidies on products and production at £25.8 billion, but lower than that of Quarter 2 at £44.2 billion.

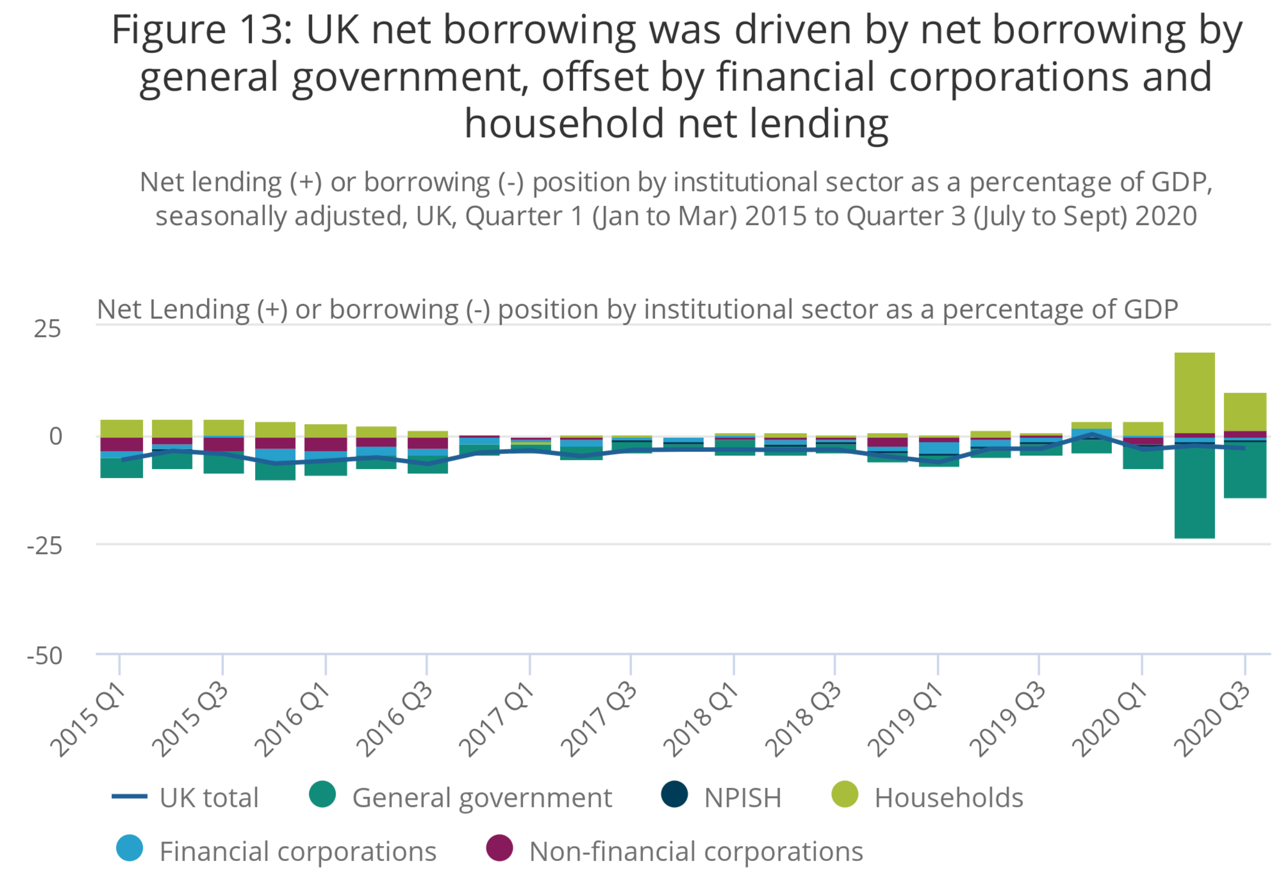
Financial corporations continued their net borrowing position at 0.9% of GDP in Quarter 3 2020 compared with 1.1% in the previous quarter.

Non-profit institutions serving households also continued their net borrowing position at 0.4% of GDP in Quarter 3 2020 compared with 0.5% of GDP in the previous quarter.

The UK's lending position with the rest of the world has increased by £4.7 billion to 3.1% of GDP in Quarter 3 2020, a return to a level closer to pre-pandemic normality. This was driven by a rise in trade in goods and services of £15.3 billion. For further information see the Balance of payments bulletin.

Figure 13: UK net borrowing was driven by net borrowing by general government, offset by financial corporations and household net lending

Net lending (+) or borrowing (-) position by institutional sector as a percentage of GDP, seasonally adjusted, UK, Quarter 1 (Jan to Mar) 2015 to Quarter 3 (July to Sept) 2020



Source: Office for National Statistics - GDP quarterly national accounts

Notes:

1. NPISH = Non-profit institutions serving households.

Figure 13 shows the households' saving ratio fell to 16.9% in Quarter 3 2020 compared with 27.4% seen in the previous Quarter 2. The saving ratio remains at a high level as a result of comparatively high real disposable income; in the most recent quarter the saving ratio has fallen compared with Quarter 2 as increases in households' final consumption expenditure outpaced increases in income. Households resumed spending following restrictions caused by lockdown being lifted.

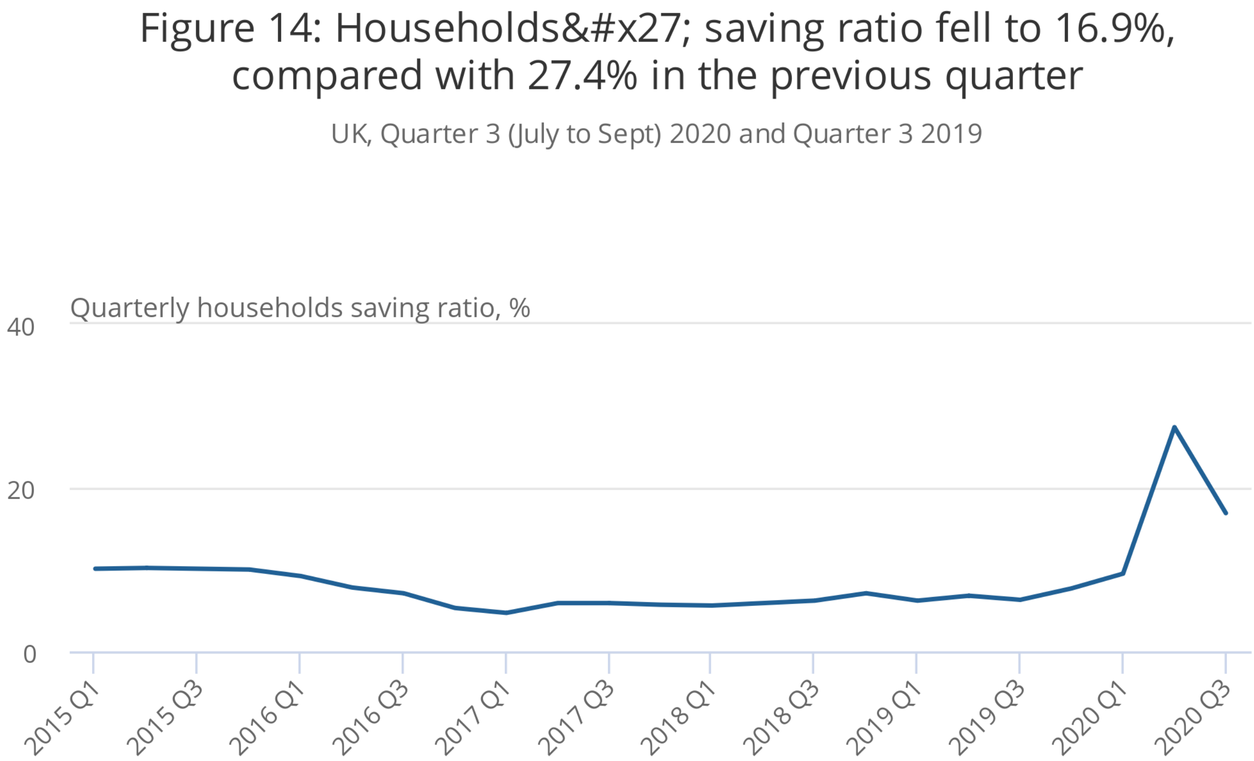
Real household disposable income saw an increase of 4.9% in Quarter 3 2020. This was driven by wages and salaries as households saw a rise of £8.6 billion in Quarter 3 2020.

Firms continued to re-open as restrictions allowed and the number of employees on furlough continued to fall. The government's Coronavirus Job Retention Scheme continued to contribute to the compensation of employees adding £11.0 billion to the payrolls, down from £28.7 billion in Quarter 2 2020. Households experienced a rise in property income of £4.3 billion, which was primarily driven through the resumption of income from corporations following a fall in Quarter 2 2020. Social benefits other than transfers in kind saw an increase of 3.5%, this was a greater increase than Quarter 1 to Quarter 2. This was driven by the winter fuel allowance and record redundancy payments.

Households' final consumption expenditure increased by £50.7 billion in Quarter 3 2020, which can largely be attributed to an increase in expenditure on restaurants and hotels, and transport. Transport saw increases as households increased their expenditure on motor sales and fuel. For more details on changes in consumer spending and its drivers see [Consumer trends](#).

Figure 14: Households' saving ratio fell to 16.9%, compared with 27.4% in the previous quarter

UK, Quarter 3 (July to Sept) 2020 and Quarter 3 2019



Source: Office for National Statistics - GDP quarterly national accounts

In the financial account, general government, financial corporations and non-profit institutions serving households (NPISH) were net borrowers, all other sectors were net lenders.

We have identified a continued increase in deposits over the last three quarters as PNFCs seek to increase liquidity in their assets. Over the previous two quarters this increase was achieved via a number of routes, as we saw a rise in loans taken out, bonds issued and government intervention schemes taken up. Quarter 3, however, saw another increase in deposits but also a contradictory story in the other areas of the accounts. We have not been able to reconcile the message from these data sources, we will continue to analyse this as the dataset matures.

Annex table

Significant government interventions affecting the non-financial account of the Sector Accounts in Quarter 2 2020:

- Coronavirus Job Retention Scheme (CJRS) was implemented by the government to support employers maintaining their employees on the payroll.
- Self-Employment Income Support Scheme (SEISS) is a grant scheme to support the self-employed with the intention of supporting their business operations and compensating for loss of income.
- Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund; two grants intended to help businesses with a fall in sales or increased costs as a result of the coronavirus (COVID-19).

The flow of these interventions through the UK’s institutional sectors is shown in Table 5.

Table 5: Flow of interventions
UK, Quarter 2 (Apr to June) 2020

Non-Financial Account	Transactions 2020 Q2						
Intervention	Transaction	Central government sector	Local Government sector	Private non-financial corporations sector	Households sector	Financial Corporations	Notes:
	Subsidy on Production (D.39 U)	28.7bn					Funded by central government borrowing
	Subsidy on Production (D.39 R)			28.7bn			
Coronavirus Job Retention Scheme	Wages and Salaries (D. 11 U)			28.7bn			Private non-financial corporations Gross Operating Surplus neutral
	Wages and Salaries (D. 11 R)				28.7bn		HH Wages boosted
Intervention							
	Subsidy on Production (D.39 U)	7.4bn					
Self-Employment Income Support Scheme	Subsidy on Production (D.39 R)				7.4bn		
	Mixed Income (B. 3g)				7.4bn		Households mixed income boosted
Intervention							
	Subsidy on Production (D.39 U)		12.2bn				
	Subsidy on Production (D.39 R)			12.2bn			
Small Business Grant Fund	Gross Operating Surplus (B. 2g)			12.2bn			Private non-financial corporations gross operating surplus boosted & contributor to increased deposits in FA (F22 A)

Non-Financial Account	Transactions 2020 Q3						
Intervention	Transaction	Central government sector	Local Government sector	Private non-financial corporations sector	Households sector	Financial Corporations	Notes:
	Subsidy on Production (D.39 U)	11.0bn					
	Subsidy on Production (D.39 R)			11.0bn			
Coronavirus Job Retention Scheme	Wages and Salaries (D. 11 U)			11.0bn			Private non-financial corporations Gross Operating Surplus neutral
	Wages and Salaries (D. 11 R)				11.0bn		HH Wages boosted
Intervention							
	Subsidy on Production (D.39 U)	5.9bn					
Self-Employment Income Support Scheme	Subsidy on Production (D.39 R)				5.9bn		
	Mixed Income (B. 3g)				5.9bn		Households mixed income boosted
Intervention							
	Subsidy on Production (D.39 U)		0.5bn				
	Subsidy on Production (D.39 R)			0.5bn			
Small Business Grant Fund	Gross Operating Surplus (B. 2g)			0.5bn			Private non-financial corporations gross operating surplus boosted & contributor to increased deposits in FA (F22 A)

Financial Account	Transactions 2020 Q2						
Intervention	Transaction	Central government sector	Local Government sector	Private non-financial corporations sector	Households sector	Financial Corporations	Notes:
Covid Corporate Financing Facility (CCFF)	Sterling loans by UK BK (F41N11 L)	17.6bn					
	Sterling loans by UK BK (F41N11 A)					17.6bn	
	Sterling deposits with UK banks (F22N11L)					17.6bn	Not directly measured - assumption
	Sterling deposits with UK banks (F22N11 A)	17.6bn					Not directly measured - assumption
	MMIs issued by other UK residents (F31N6 L)			17.6bn			Commercial Paper
	MMIs issued by other UK residents (F31N6 A)	17.6bn					Commercial Paper
	Sterling deposits with UK banks (F22N11 A)	-17.6bn					Not directly measured - assumption
	Sterling deposits with UK banks (F22N11 A)			17.6bn			Not directly measured - assumption
Intervention							
Coronavirus Business Interruption Loan Scheme (CBILS)	Not currently in the accounts						
Intervention							
Coronavirus Large Business Interruption Loan Scheme (CLBILS)	Not currently in the accounts						
Intervention							

Asset Purchase Facility (APF)	UK central gov. securities (F32N11 L)	Approx £155bn					
	UK central gov. securities (F32N11 A)					Approx £155bn	
Intervention							
Bounce Back Loan Scheme (BBLS)	Not currently in the accounts						
Financial Account	Transactions 2020 Q2						
Intervention	Transaction	Central government sector	Local Government sector	Private non-financial corporations sector	Households sector	Financial Corporations	Notes:
Covid Corporate Financing Facility (CCFF)	Sterling loans by UK BK (F41N11 L)	-1.9bn					
	Sterling loans by UK BK (F41N11 A)					-1.9bn	
	Sterling deposits with UK banks (F22N11L)					-1.9bn	Not directly measured - assumption
	Sterling deposits with UK banks (F22N11 A)	-1.9bn					Not directly measured - assumption
	MMIs issued by other UK residents (F31N6 L)			-1.9bn			Commercial Paper
	MMIs issued by other UK residents (F31N6 A)	-1.9bn					Commercial Paper
	Sterling deposits with UK banks (F22N11 A)	1.9bn					Not directly measured - assumption
	Sterling deposits with UK banks (F22N11 A)			-1.9bn			Not directly measured - assumption

Intervention			
Coronavirus Business Interruption Loan Scheme (CBILS)	Not currently in the accounts		
Intervention			
Coronavirus Large Business Interruption Loan Scheme (CLBILS)	Not currently in the accounts		
Intervention			
Asset Purchase Facility (APF)	UK central gov. securities (F32N11 L)	Approx £155bn	
	UK central gov. securities (F32N11 A)		Approx £155bn
Intervention			
Bounce Back Loan Scheme (BBLS)	Not currently in the accounts		

Source: Office for National Statistics – GDP quarterly national accounts

9 . Related links

Release content

All data in this bulletin are seasonally adjusted estimates. Non-seasonally adjusted data are available within the UK Economic Accounts (UKEA). These data can be downloaded directly from the UKEA dataset and on the UKEA main aggregates dataset table. Data published in the UKEA reflect data as published on 22 December 2020 and are consistent with the data in this release.

A number of other economic indicators were published on 22 December 2020, these include:

- Business investment
- Balance of payments

Monthly GDP

On 10 December 2020, estimates of Monthly GDP were published for October 2020. The Index of Services, Index of Production and Construction output in Great Britain publications covering October 2020 are also available.

This release sees revisions to Quarter 1 (Jan to Mar) 2019 to Quarter 3 (July to Sept) 2020. Although this release focuses on providing the best quarterly estimate of GDP, an indicative monthly path for the Quarter 1 2020 to Quarter 3 is provided in Table 6. A full breakdown of the monthly data consistent with this release will be available in the next monthly GDP release (on 15 January 2021).

Table 6: Indicative path of monthly GDP
UK, January to September 2020

	January 2020	February 2020	March 2020	April 2020	May 2020	June 2020	July 2020	August 2020	September 2020
GDP	0.0	-0.3	-7.3	-18.8	3.2	9.3	6.5	2.1	1.1
Services	0.0	-0.4	-7.9	-17.0	2.2	8.3	6.0	2.2	1.1
Production	0.0	0.4	-5.3	-19.6	5.9	10.8	5.1	0.2	0.4
Construction	0.0	-0.9	-3.6	-40.7	13.0	21.2	15.9	4.3	2.6
Agriculture	-0.5	-0.8	-1.8	-6.1	0.8	3.0	2.9	1.2	-0.1

Source: Office for National Statistics - GDP quarterly national accounts

Notes

1. Table shows month-on-month percentage change.

2. This is an indicative monthly path for 2020 Q1 to 2020 Q3.

3. A full breakdown of the monthly data consistent with this release will be available in the next monthly release (15 January 2021).

10 . Quality and methodology

More quality and methodology information on strengths, limitations, appropriate uses, and how the data were created is available in the Gross domestic product (GDP) QMI.

The UK National Accounts are drawn together using data from many different sources. This ensures that they are comprehensive and provide different perspectives on the economy; for example, sales by retailers and purchases by households.

Important quality information

There are common pitfalls in interpreting data series, and these include:

- expectations of accuracy and reliability in early estimates are often too high
- revisions are an inevitable consequence of the trade-off between timeliness and accuracy
- early estimates are based on incomplete data

Very few statistical revisions arise as a result of "errors" in the popular sense of the word. All estimates, by definition, are subject to statistical "error".

Many different approaches can be used to summarise revisions; the “Accuracy and reliability” section in the Gross domestic product (GDP) QMI analyses the mean average revision and the mean absolute revision for GDP estimates over data publication iterations.

Reaching the GDP balance

The different data content and quality of the three approaches – the output approach, the expenditure approach and the income approach – dictates the approach taken in balancing quarterly data. In the UK, there are more data available on output in the short-term than in either of the other two approaches. However, to obtain the best estimate of GDP (the published figure), the estimates from all three approaches are balanced to produce an average, except in the latest two quarters where the output data take the lead because of the larger data content.

Information on the methods we use for Balancing the output, income and expenditure approaches to measuring GDP is available.

Alignment adjustments, found in Table M of the GDP quarterly national accounts data tables in this release, have a target limit of plus or minus £2,000 million on any quarter. However, in periods where the data sources are particularly difficult to balance, larger alignment adjustments are sometimes needed. As a result of the increased challenges and uncertainty in balancing quarterly GDP in this release, expenditure and income alignment adjustments for the quarters of 2019 do not sum to zero over the year. While this alignment adjustment adds to both expenditure and income GDP in 2019, it does not change the annual 2019 rate of GDP growth to 1 decimal place. For a list of series impacted please refer to the Notice page in GDP quarterly national accounts data tables.

To achieve a balanced GDP dataset through alignment, balancing adjustments are applied to the components of GDP where required (Table 7). They are applied to the individual components where data content is particularly weak in a given quarter because of a higher level of forecast content.

Table 7: Balancing adjustments applied to the GDP quarterly national accounts dataset for Quarter 1 (Jan to Mar) 2019 to Quarter 3 (July to Sept) 2020

GDP measurement approach and component adjustment applied to		Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Expenditure								
Trade in Services (exports)	Current prices		1000	-1000				1600
	Chained volume measure	1500	1000		-500			2800
Trade in Services (imports)	Current prices		-1000	-500				-1000
	Chained volume measure		-1000					-1900
Gross fixed capital formation	Current prices						500	
	Chained volume measure						500	
Change in inventories	Current prices						500	
	Chained volume measure						500	

Source: Office for National Statistics - GDP quarterly national accounts

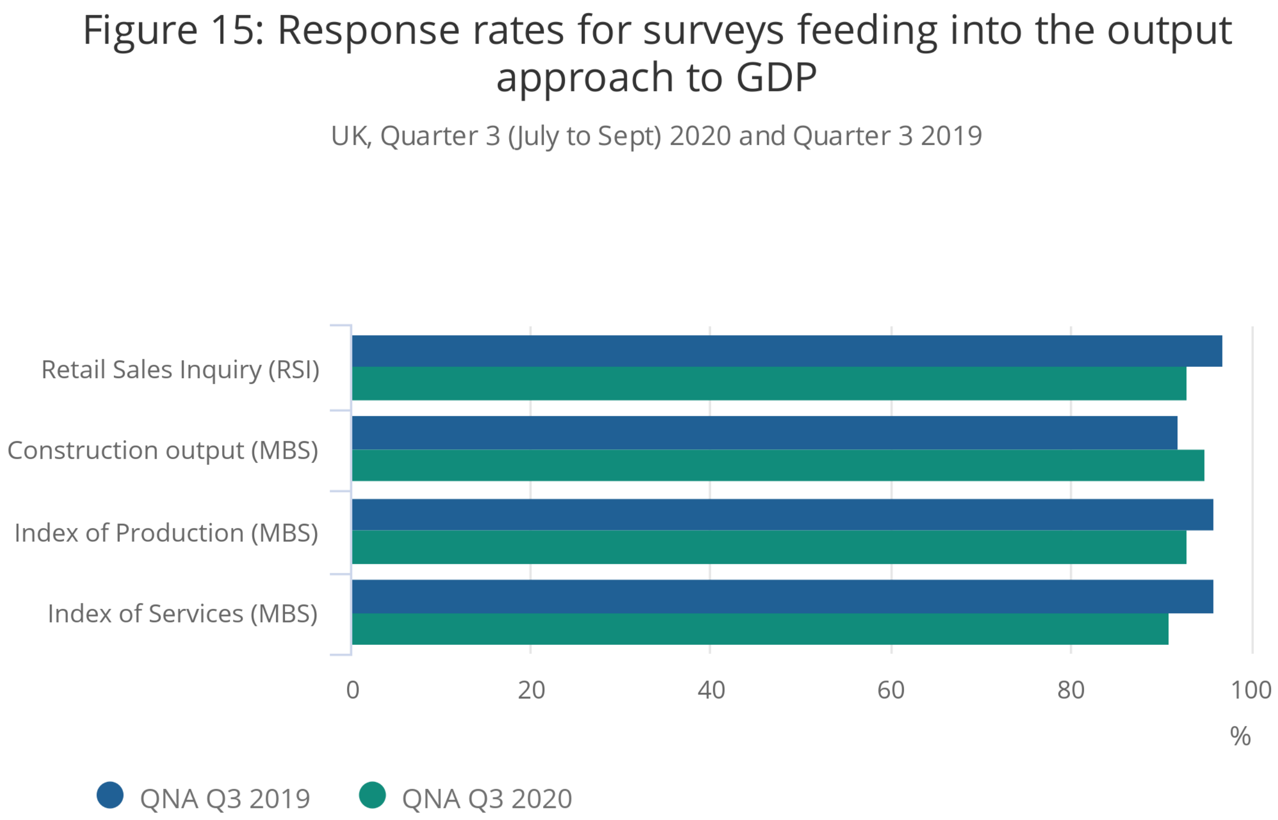
Notes

1. Adjustments are in £ million.
2. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

Coronavirus (COVID-19) impact on response rates

Figure 15: Response rates for surveys feeding into the output approach to GDP

UK, Quarter 3 (July to Sept) 2020 and Quarter 3 2019



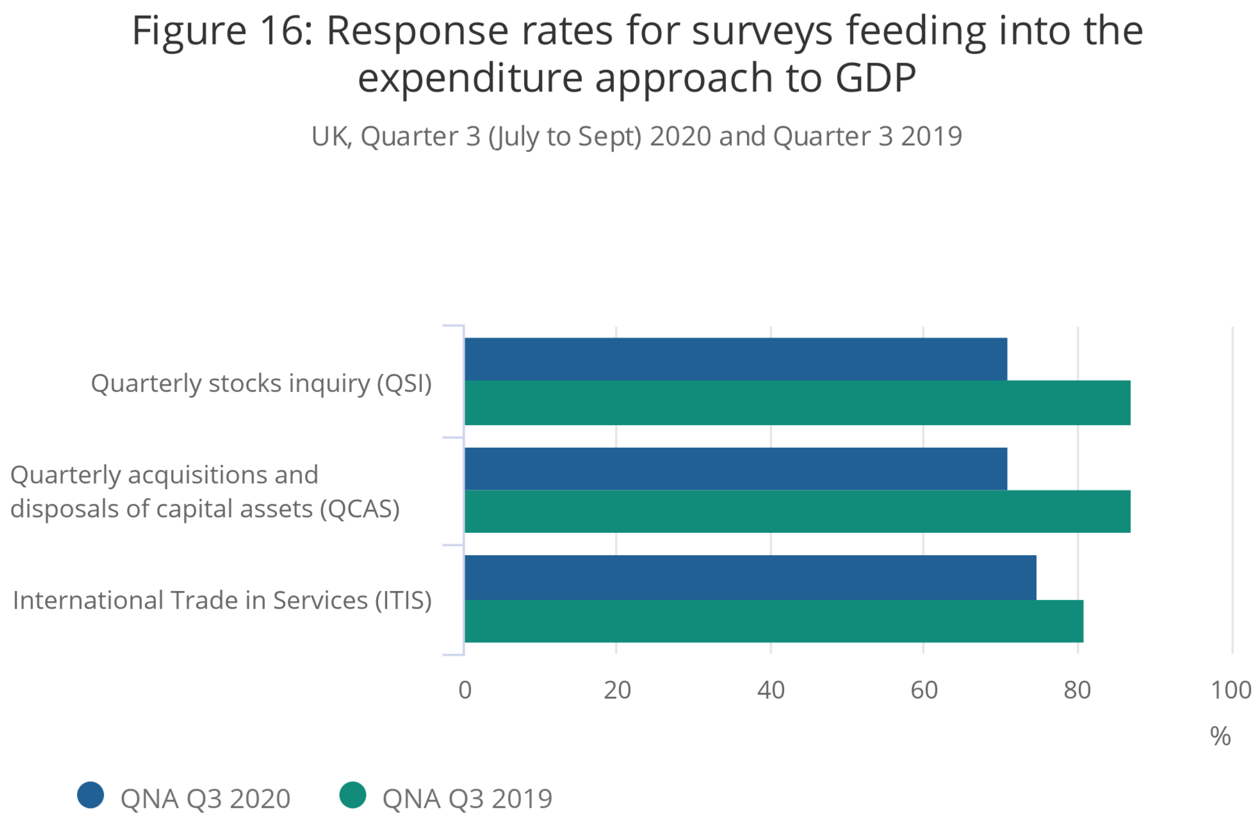
Source: Office for National Statistics - GDP quarterly national accounts

Notes:

1. QNA refers to GDP quarterly national accounts. Q3 refers to Quarter 3 (July to Sept).
2. Chart shows Monthly Business Survey (MBS) and Retail Sales Index (RSI) turnover response rates.
3. For MBS and RSI, an average of the July, August and September response rates have been taken to produce the Quarter 3 response rate.
4. Response rate for all months, both questionnaire and turnover, can be found in Index of Production, Index of Services, Construction, and Retail Sales Inquiry.

Figure 16: Response rates for surveys feeding into the expenditure approach to GDP

UK, Quarter 3 (July to Sept) 2020 and Quarter 3 2019



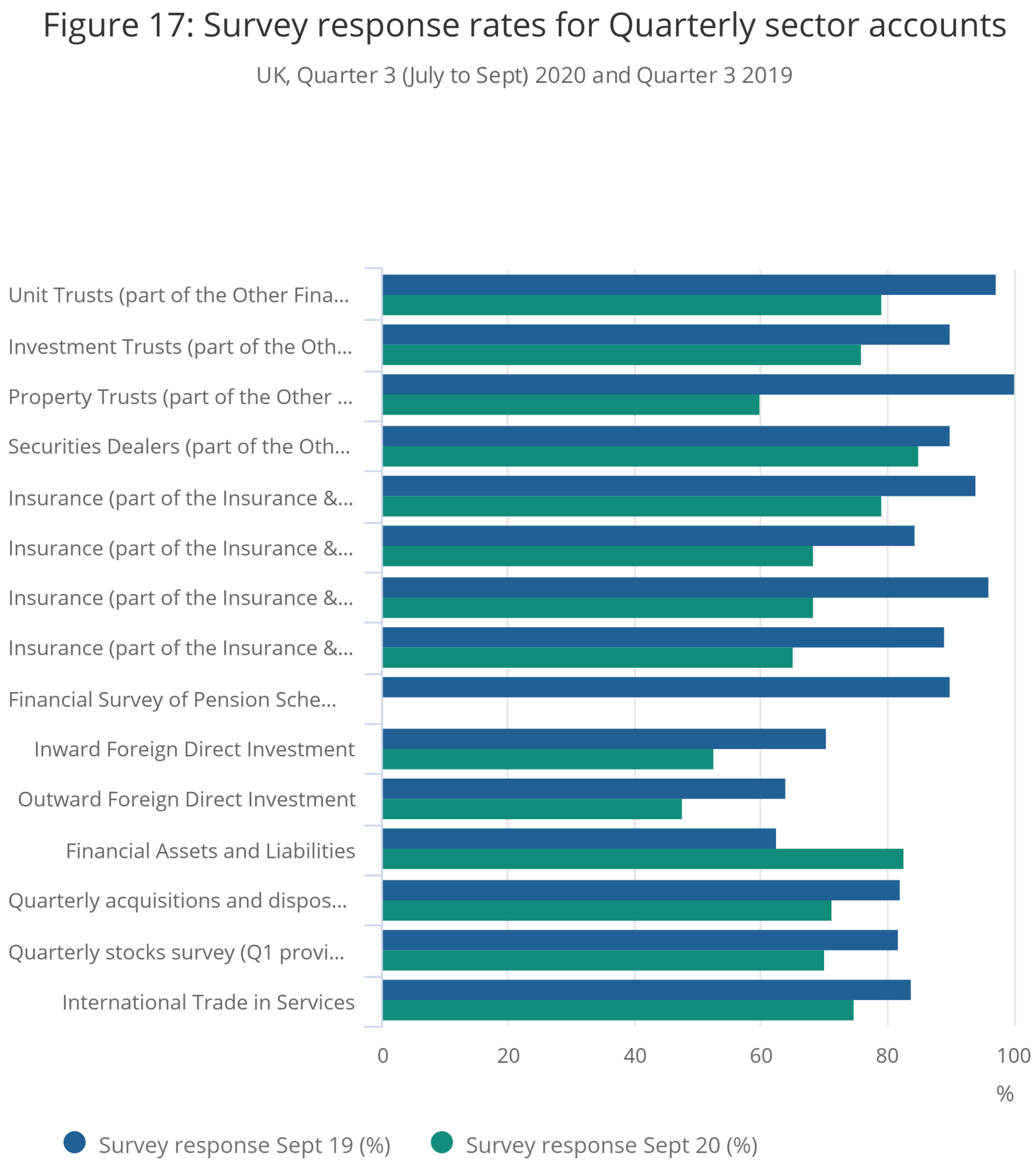
Source: Office for National Statistics - GDP quarterly national accounts

Notes:

1. QNA refers to GDP quarterly national accounts. Q3 refers to Quarter 3 (July to Sept).
2. Chart shows questionnaire response rates.

Figure 17: Survey response rates for Quarterly sector accounts

UK, Quarter 3 (July to Sept) 2020 and Quarter 3 2019



Source: Office for National Statistics - GDP quarterly national accounts

Notes:

1. Latest data for Financial Survey of Pension Schemes is always forecast. * = 2019 Q2. Data at which the survey launched

Figure 15, Figure 16 and Figure 17 highlight a general decline in response rates for surveys that feed into the GDP quarterly national accounts for Quarter 3 (July to Sept) 2020. We have undertaken a significant amount of work to ensure that the effect on the quality of our estimates is mitigated as much as possible.

This includes focusing resources on main respondents and industries, methodology reviews including, but not limited to, seasonal adjustment, forecast and imputation, and the use of additional sources of data (in quality assurance). More information on the measures taken can be found in Section 6 of Coronavirus and the effects on UK GDP.

More information on Monthly Business Survey response rates by industry is available.

Quarterly Stocks Survey temporary expansion

The Quarterly Stocks Survey (formerly Inquiry) is used in the compilation of the changes in inventories component. To address users' concerns about the sample size of the survey and the potential impact on quality, we temporarily increased the sample size from 5,500 to 9,500 businesses for Quarter 3 2020. We have continued to boost the sample in subsequent quarters and will continue to do so until further notice.