Office for National Statistics

Compendium

National accounts at a glance

A summary of recent trends and movements within the UK economy.

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Notice

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ONS has today published the gross fixed capital formation supplementary tables consistent with our aggregated estimates following completion of quality assurance of the data. These supplementary tables were not released as part of the initial release of the UK National Accounts, The Blue Book on 31 October 2022. Aggregated UK totals are not affected by this publication. For more information, please contact gcf@ons.gov.uk.

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1 . Introduction

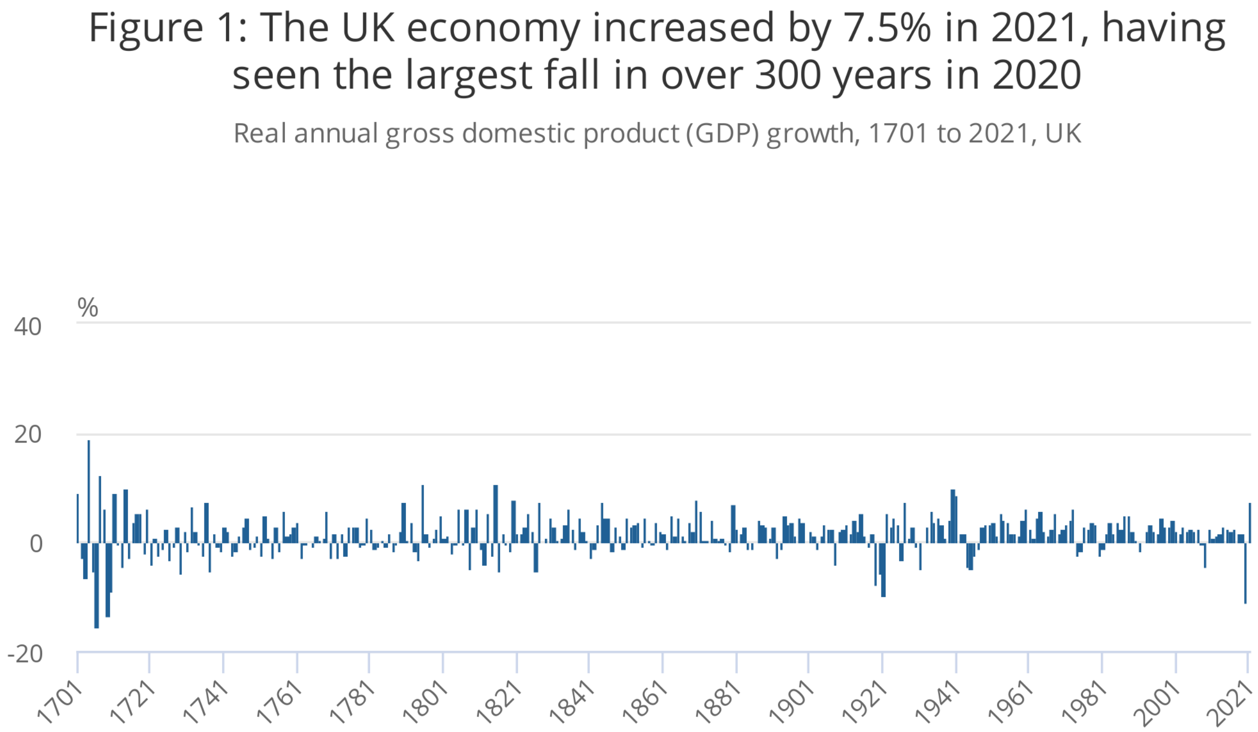
This section of the UK National Accounts, The Blue Book: 2022 edition looks at recent trends in the UK economy for a range of information that is published as part of the UK National Accounts. All UK figures referred to in this section are consistent with Blue Book 2022.

2 . Gross domestic product

There was a rebound in activity in the UK economy in 2021, in response to the easing of coronavirus (COVID-19) restrictions through the year. Real gross domestic product (GDP) increased by 7.5%, which was the highest since 1941 at time of the Second World War (Figure 1). The introduction of public health restrictions and voluntary social distancing to reduce the spread of COVID-19 explains the 11.0% fall in economic activity in 2020. This was the largest annual fall in UK GDP since 1709.

Figure 1: The UK economy increased by 7.5% in 2021, having seen the largest fall in over 300 years in 2020

Real annual gross domestic product (GDP) growth, 1701 to 2021, UK



Source: Office for National Statistics – UK National Accounts, Bank of England

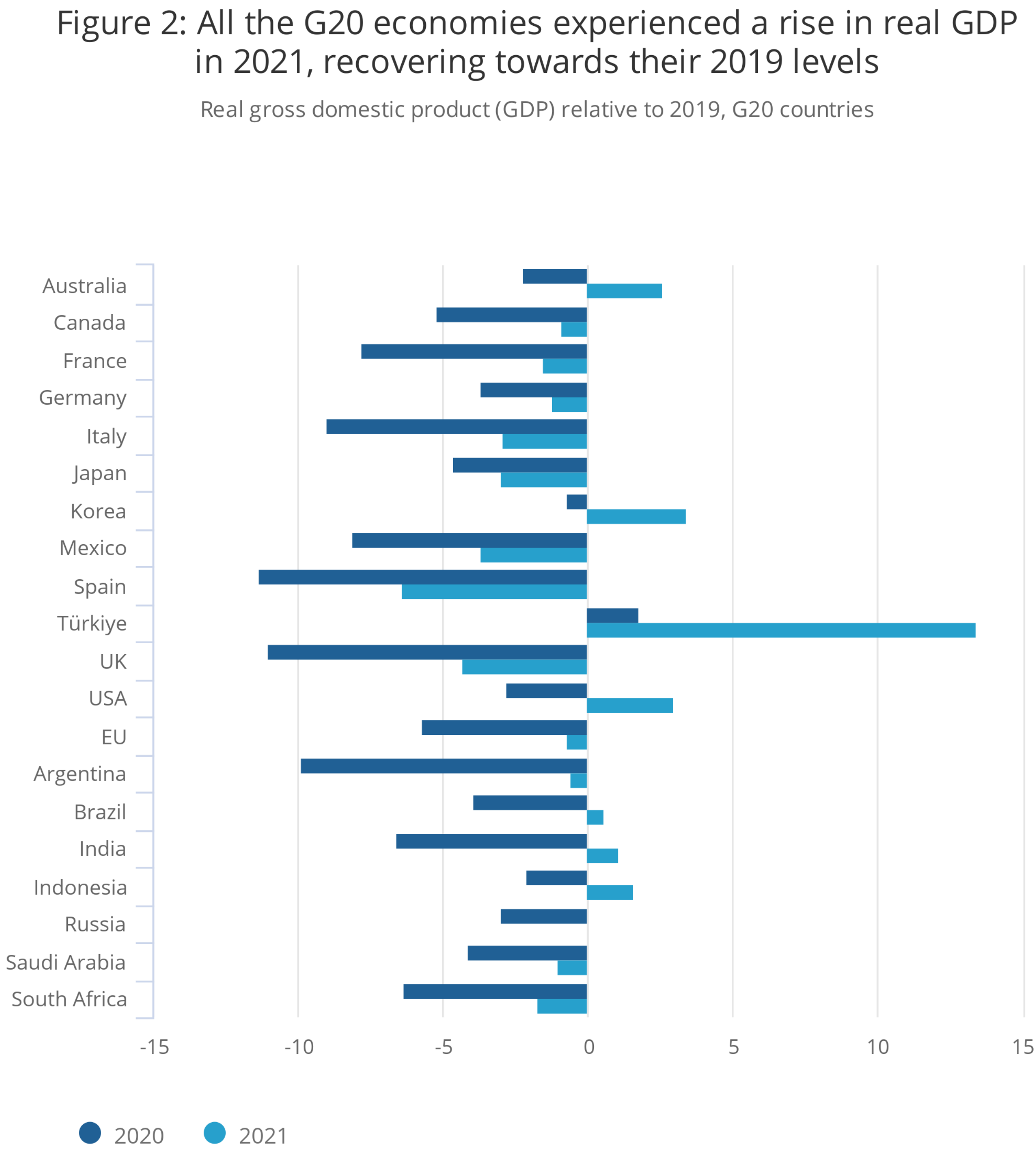
Notes:

1. Official UK GDP estimates from 1948.

All the G20 economies experienced a rise in real GDP in 2021, recovering towards their 2019 levels (Figure 2) as there was a re-opening of these economies following the restrictions in place in the previous year. The variation between countries reflects the timing and stringency of COVID-19 restrictions over 2020 and 2021, as well as the structural composition of these economies. That said, it is not the case that all countries have recovered to their pre-coronavirus pandemic levels at the time of publication.

Figure 2: All the G20 economies experienced a rise in real GDP in 2021, recovering towards their 2019 levels

Real gross domestic product (GDP) relative to 2019, G20 countries



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

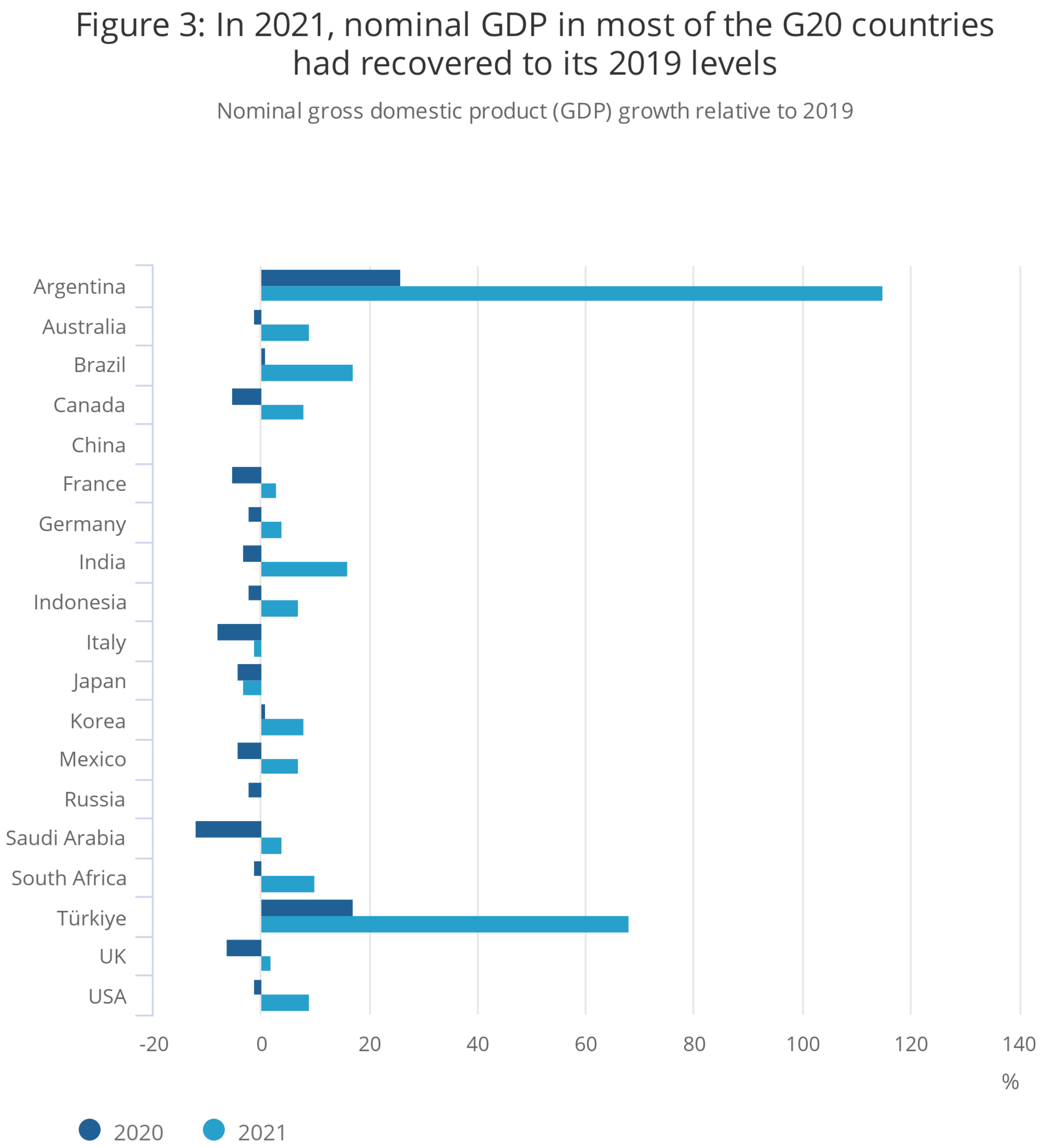
Notes:

1. Figures for the EU at an aggregate level have not been included.
2. At the time of this publication, figures for Russia for 2021 are not available.

Recent analysis highlights the [challenges of making international comparisons of GDP during the coronavirus pandemic] and shows that it may be useful to compare nominal and real estimates of GDP, as well as estimates excluding government expenditure. Our initial international engagement has shown differences between national statistical institutes (NSIs) in how the challenges of non-market output have been addressed, particularly over the coronavirus pandemic period. Figure 3 shows that all the G20 economies, except for Italy and Japan, saw their nominal GDP recover at the end of 2021 to above their 2019 levels.

Figure 3: In 2021, nominal GDP in most of the G20 countries had recovered to its 2019 levels

Nominal gross domestic product (GDP) growth relative to 2019



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

Notes:

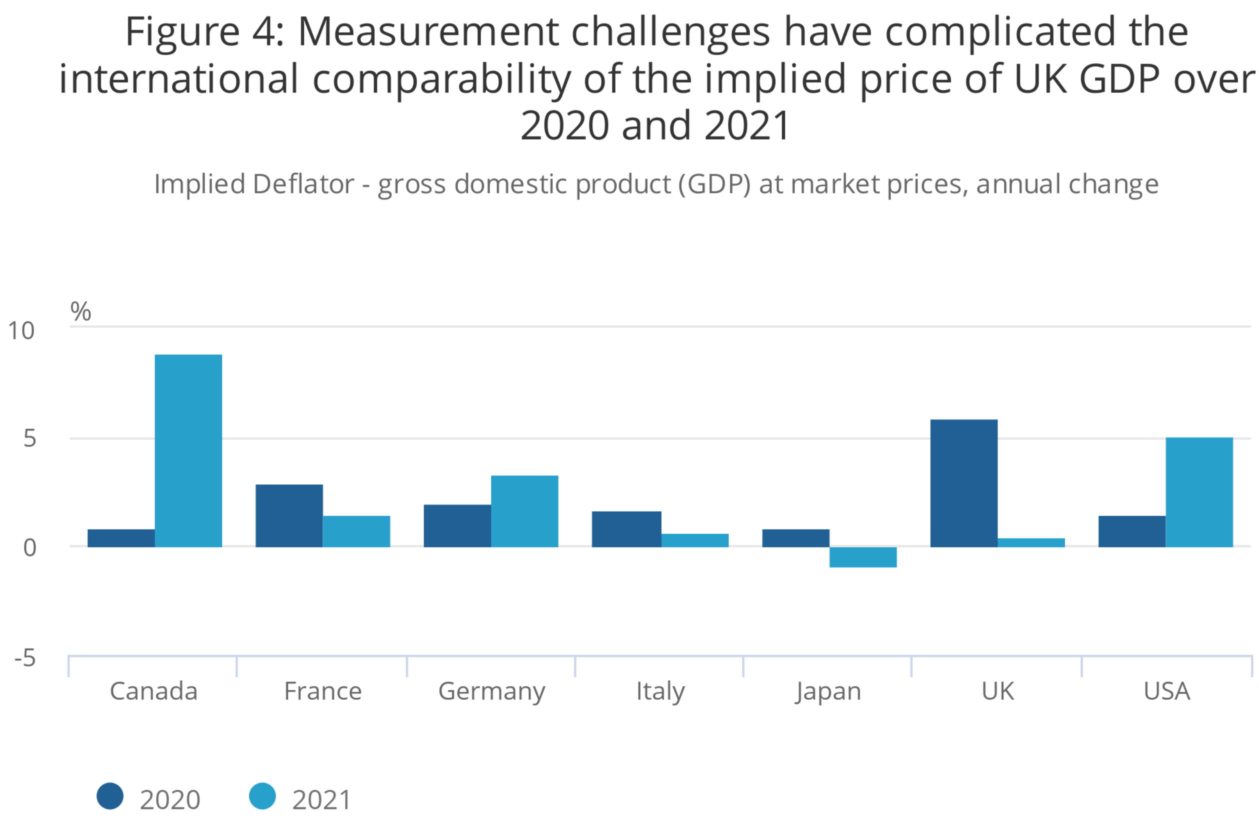
1. Figures for the EU have not been included.
2. Figures for Russia for 2021 are not available, and figures for China are not available.

This 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. In 2021, the UK's implied GDP deflator rose by 0.4%, the lowest among the developed countries shown (Figure 4). However, these comparisons are likely to reflect some of the measurement challenges over the coronavirus pandemic. Movements in the implied GDP deflator in 2020 and 2021 have been largely affected by the government consumption deflator.

In 2020, the volume of government activity fell, for example, health and education in response to the coronavirus pandemic. At the same time, government expenditure increased in nominal terms. This reflects how we record volume estimates of health and education as explained in our blog, Public services: measuring the part they play in the economy through the pandemic. This led to a very large increase in the implied price of GDP in 2020, which then unwound in 2021 from this higher level.

Figure 4: Measurement challenges have complicated the international comparability of the implied price of UK GDP over 2020 and 2021

Implied Deflator - gross domestic product (GDP) at market prices, annual change



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

3 . Output produced in the UK economy

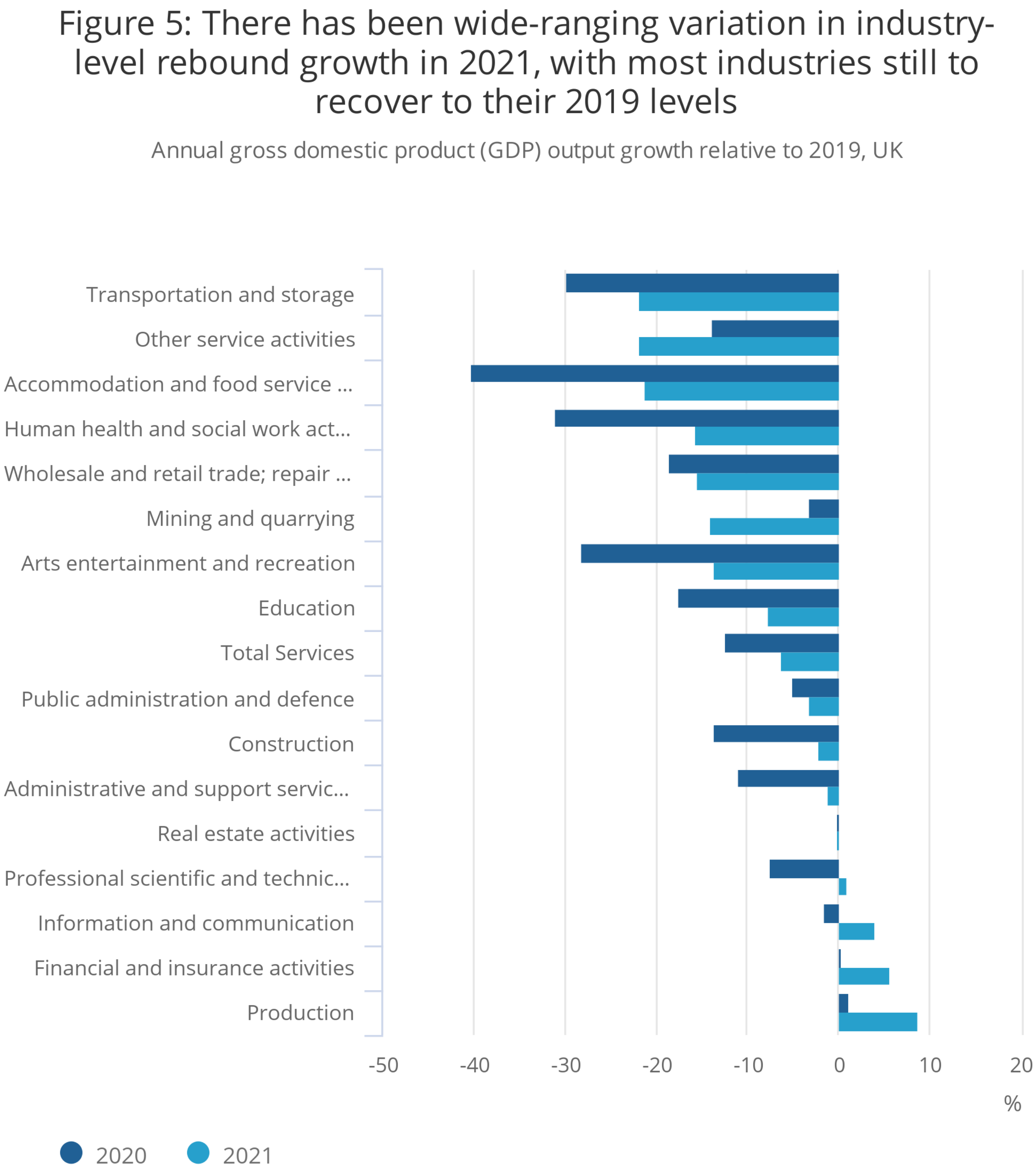
The coronavirus (COVID-19) pandemic had wide ranging industry-level effects which led to variations in the recovery of industries in 2021 (Figure 5). This reflects how public health restrictions and social distancing had more of an impact on those industries that were more reliant on physical interactions, including hospitality and retail, which might be considered as “high-contact”. We previously published analysis on the effects of the coronavirus pandemic on “high-contact” industries.

The transportation and storage; other service activities; and accommodation and food service activities industries are those that are furthest below their 2019 levels. Of those industries that saw a contraction in output in 2020, only information and communication; and professional, scientific, and technical activities had recovered to above their 2019 level. The output of the production and financial and insurance activities industries remain above 2019 levels, which are examples of “low-contact” industries, where there was little or no contraction in output in 2020.

The largest rises in output in 2021 were in the accommodation and food services (31.6%); human health and social work (22.2%); and arts, entertainment, and recreation (20.3%) industries, where the lifting of restrictions had most impact. Human health and social work in particularly experienced a marked rise in activity towards the end of 2021. This was because of increased GP visits, and a large increase in coronavirus testing and tracing activities, and the extension of the vaccination programme.

Figure 5: There has been wide-ranging variation in industry-level rebound growth in 2021, with most industries still to recover to their 2019 levels

Annual gross domestic product (GDP) output growth relative to 2019, UK



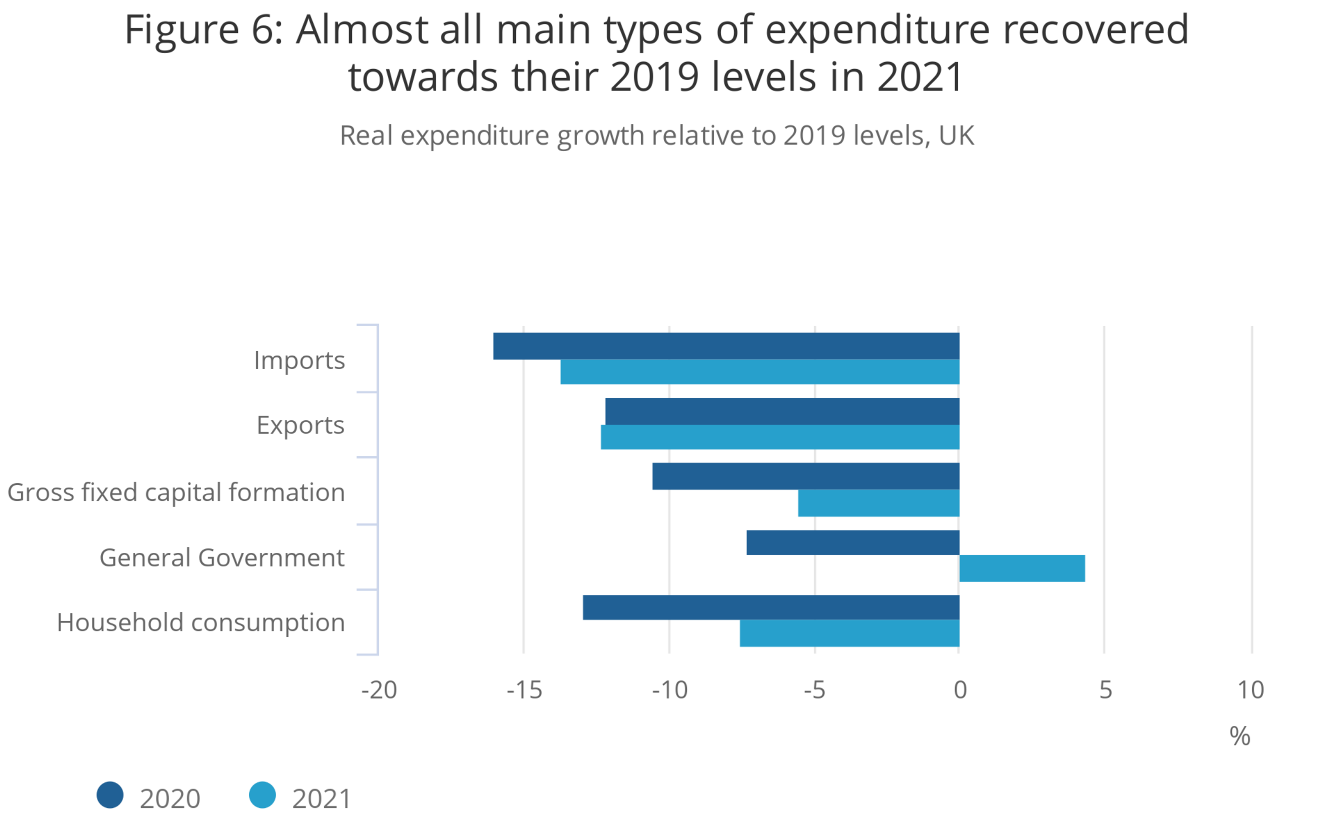
Source: Office for National Statistics

4 . Spending in the UK economy

Households' final consumption expenditure rose by 6.2% in 2021, partially offsetting the 12.9% fall seen in 2020 (Figure 6), where it was boosted by the easing of coronavirus (COVID-19) restrictions, particularly in types of social consumption. In 2021, this was driven by a large rebound from restaurants and hotels (33.6%); clothing and footwear (15.4%); education (11.5%); and transport (11.4%). All these spending categories, except for education, however, remain below their 2019 levels.

Figure 6: Almost all main types of expenditure recovered towards their 2019 levels in 2021

Real expenditure growth relative to 2019 levels, UK



Source: Office for National Statistics

Notes:

1. Non-profit institutions serving households (NPISH), change in inventories and the acquisitions less disposals of valuables have been excluded.

Following a 7.3% decline in 2021, real government consumption rose by 12.6% in 2021. This included higher volumes of the COVID-19 vaccine and test and trace programmes. It is worth noting that although real government expenditure fell in 2020, there was a sharp 11.6% increase in nominal terms because of additional spending on personal protective equipment (PPE), NHS Test and Trace, and increased use of agency staff. In 2021, nominal government consumption increased by 7.2%.

Gross fixed capital formation increased by 5.6% in 2021. This followed a fall in 2020, in which businesses faced lower turnover, cashflow issues, and higher levels of economic uncertainty, which might have led to some postponement or cancellation in their planned investments. Business investment fell by 0.1% in 2021.

International trade flows were affected by border restrictions in place through much of 2020, particularly in travel. The coronavirus pandemic not only had an impact on UK and global demand, which would have influenced the flows of UK exports and imports, but restrictions also had an impact on global supply chains through 2020 and 2021. In real terms, exports fell by 0.3% while imports rose by 2.8%, which remain below their 2019 levels. International travel restrictions were still present for much of 2021 which would have also led to lower trade flows, particularly for tourism.

5 . Net lending and borrowing by institutional sectors

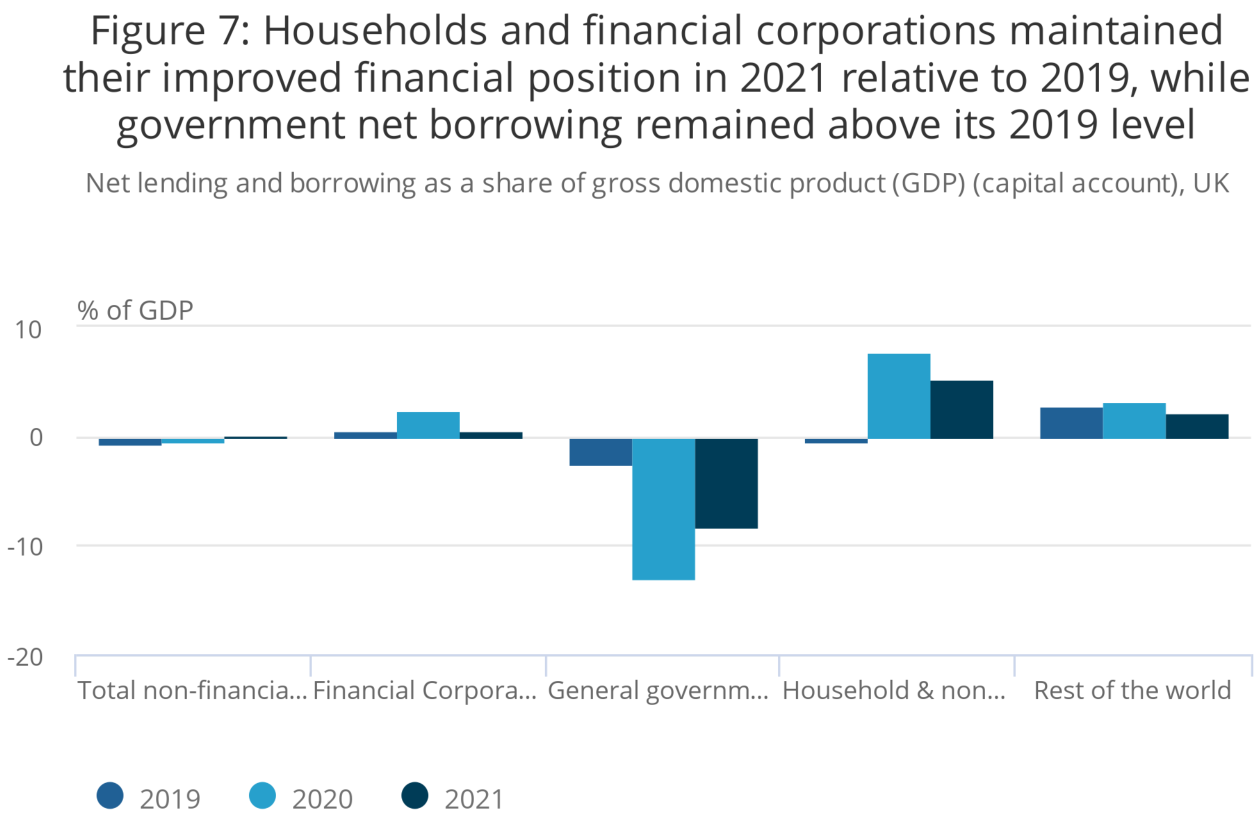
Figure 7 shows the change in institutional sectors' net lending and borrowing position between 2019 and 2021. The coronavirus (COVID-19) pandemic brought about large changes in income and expenditure, particularly for households and government. In 2020, the largest change was for the government, whose net borrowing increased, primarily reflecting the fiscal cost of the policy response to the pandemic. This included the Coronavirus Job Retention Scheme (CJRS) and Self-Employment Income Support Scheme (SEISS), as well as lower tax receipts in response to the fall in economic activity. This was largely offset by the increase in net lending by households. While there was a record contraction in consumption expenditure, the CJRS and SEISS helped maintain household incomes.

There was some unwinding of these lending and borrowing positions of households and government in 2021. Households reduced their lending as they raised expenditure, while government subsidy payments also reduced in 2021.

One phenomenon of the coronavirus pandemic was the concept of forced savings, as coronavirus restrictions reduced the opportunities for consumer spending and household incomes were relatively protected by government policy. Having reached a record 15.9% in 2020, the UK's households' savings ratio fell in 2021 to 12.4% but remains above its 2019 level. This has been a common theme across developed economies.

Figure 7: Households and financial corporations maintained their improved financial position in 2021 relative to 2019, while government net borrowing remained above its 2019 level

Net lending and borrowing as a share of gross domestic product (GDP) (capital account), UK



Source: Office for National Statistics

Notes:

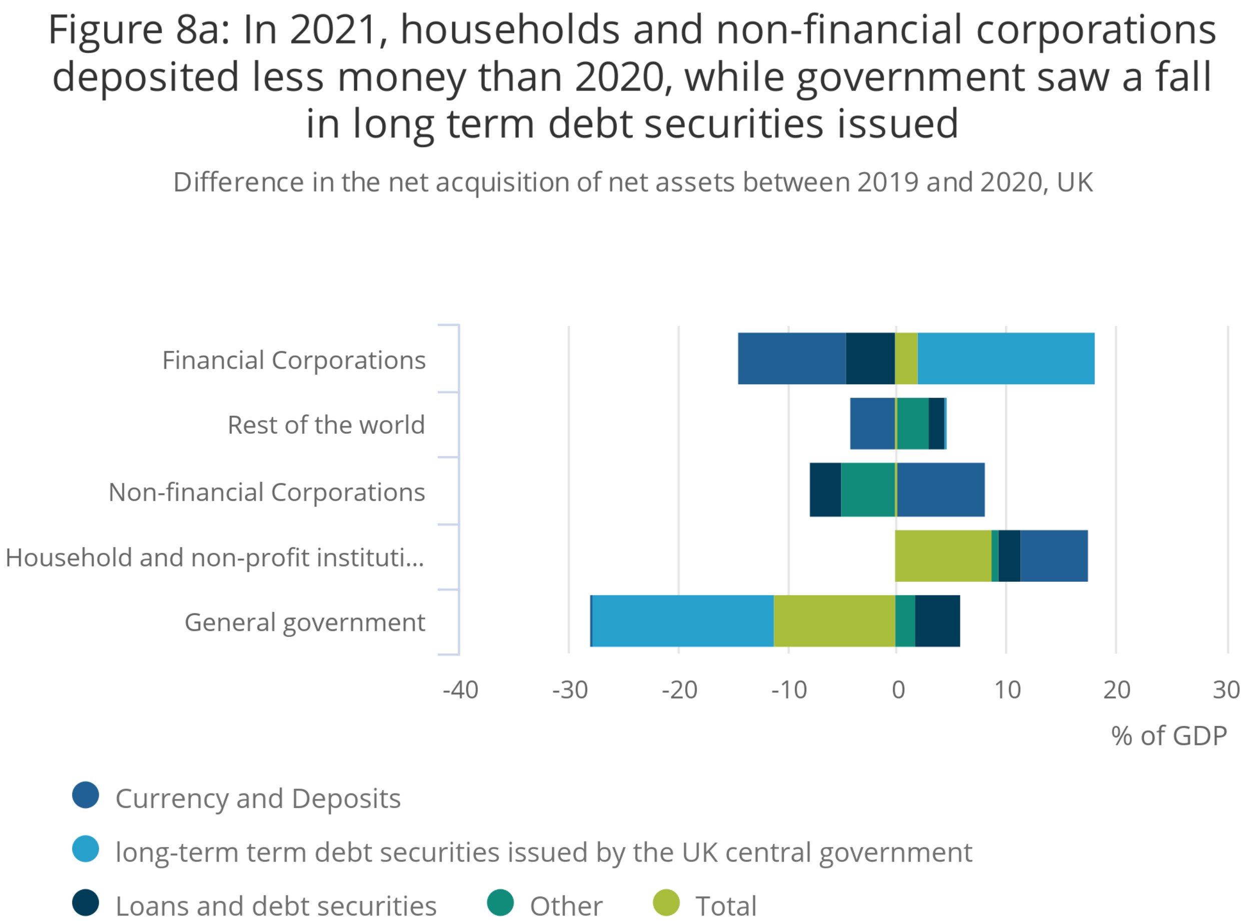
1. This includes non-profit institutions serving households (NPISH).

The reduced ability of households to spend money on consumption in 2020 led to a record increase in the holdings of currency and deposits as assets. In 2021, as the economy re-opened, households ran down their holdings of currency and deposits, while also raising their borrowing of loans and debt securities (Figure 8).

Non-financial corporations also experienced a fall in their holdings of currency and deposits between 2020 and 2021 as business activity rose. We have previously provided analysis of the impact of the coronavirus pandemic on households and businesses' financial position. Government became a net lender of long-term debt and securities, reversing its position from 2020 where it issued long-term debt to finance its increase in net borrowing. This unwinding in financial flows in 2021 is reflected in the positions of financial corporations who typically lend to the government.

Figure 8a: In 2021, households and non-financial corporations deposited less money than 2020, while government saw a fall in long term debt securities issued

Difference in the net acquisition of net assets between 2019 and 2020, UK



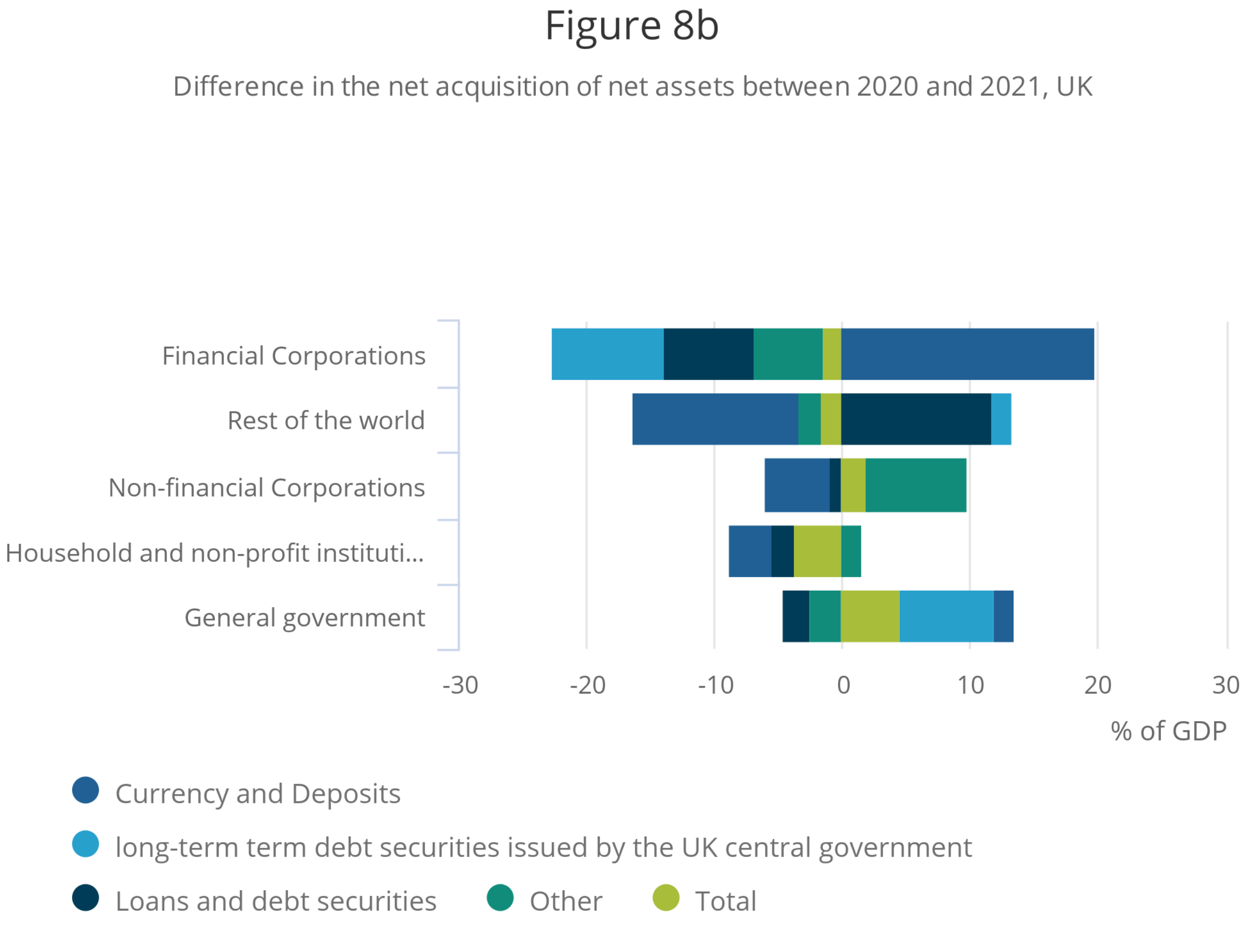
Source: Office for National Statistics

Notes:

1. This includes non-profit institutions serving households (NPISH).

Figure 8b

Difference in the net acquisition of net assets between 2020 and 2021, UK



Source: Office for National Statistic

Notes:

1. This includes non-profit institutions serving households (NPISH).

6 . Cite this chapter

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