

Statistical bulletin

# Non-financial business economy, UK (Annual Business Survey): 2012 provisional results

Size and growth within the UK's non-financial business sectors: non-financial services, distribution, production, construction and agriculture.



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# 1 . Main points

- In 2012, the income generated by businesses in the UK, less the cost of goods and services used to create this income was estimated to be £947.7 billion. This amount represents the approximate Gross Value Added at basic prices (aGVA) of the UK Non-Financial Business Economy
- Between 2011 and 2012, aGVA increased by 1.2% (£11.3 billion). This increase is a continuation of the recovery seen between 2009 and 2011 and takes aGVA to a level 4.2% (£38.1 billion) above that seen in 2008, at the start of the recession
- The Non-Financial Service sector, which accounts for over half of aGVA in the UK Non-Financial Business Economy, contributed most to the increase in aGVA rising 6.4% (£30.5 billion) between 2011 and 2012. This is the third consecutive annual increase, taking it to £67.8 billion above the level seen in 2008
- In Distribution and Production there was a fall in aGVA between 2011 and 2012, for the first time since 2009, due to purchase costs increasing at a higher rate than turnover
- Data for the Insurance and Reinsurance industries have been removed from this release following discussions with key users. This experimental series was previously included in the results for reference years 2008 to 2011 and covered a small part of the Financial and insurance sector. It has been removed due to ongoing volatility while a more detailed quality assessment is undertaken. As such results in this release cover the UK Non-Financial Business Economy rather than the UK Business Economy. This does not affect other industries

## 2 . Overview

This release provides an estimate of the size and growth of the UK Non-Financial Business Economy for 2012 as measured by the Annual Business Survey (ABS). It is the key resource for understanding the detailed structure, conduct and performance of businesses across the UK.

The release covers:

- Non-Financial Services
- Distribution
- Production
- Construction
- Parts of Agriculture

Together these industries represent the UK Non-Financial Business Economy and account for around two thirds of the whole economy of the UK in terms of Gross Value Added. Public administration and defence, public sector health and education, finance and parts of agriculture make up the difference between the UK Non-Financial Business Economy and the whole economy.

The ABS has included estimates for the Insurance & Reinsurance industries (SIC 2007 Groups 65.1 and 65.2 respectively) in its UK National releases since 2008. This is the only part of Financial and Insurance Activities (Section K) covered by the survey. As with any new time-series, estimates for these industries have remained experimental while ongoing quality assurance has taken place. This quality assurance has led the figures to be revised substantially in recent years with a resulting break in the series between 2009 and 2010. Due to ongoing volatility the estimates for this series have been removed to allow for a more detailed quality assessment to be undertaken. The removal of these series does not affect other industries published as part of this release and has no impact on any other financial statistics published by ONS.

Estimates published in this release include turnover, purchases, approximate Gross Value Added at basic prices (aGVA) and employment costs. All data are reported at current prices (effect of price changes included).

Where the recession is mentioned it refers to the contraction of GDP that started in 2008, the year from which a consistent ABS time series is available from. For more information about the survey see the background notes.

The ABS has a wide range of uses: for example, ABS statistics are essential contributors to the [UK National Accounts](#), including the measurement of [Gross Domestic Product \(GDP\)](#), they are supplied to Eurostat to meet the requirements of the European Structural Business Statistics (SBS) Regulation, and are used by the Devolved Administrations and central and local government to monitor and inform policy development. For other uses see background note 3.

One question often asked of the ABS release is 'how does the measure of aGVA differ from the GVA measure in the National Accounts?'. The difference is that the ABS measure does not fully allow for some National Accounts concepts such as taxes, subsidies or income earned in kind and is therefore only approximate. Adjustments for these components are made in the calculation of GVA in the National Accounts, which also cover parts of the economy not included in ABS such as the public sector, financial services and parts of agriculture. For further information on aGVA see background note 8.

ONS makes every effort to provide informative commentary on the data in this release. Where possible, the commentary draws on evidence from businesses or other sources of information to help explain possible reasons behind the observed changes. However, in some places it can prove difficult to elicit detailed reasons for movements, for example, businesses may state a 'change in the nature of business activity'. Consequently, it is not possible for all data movements to be fully explained.

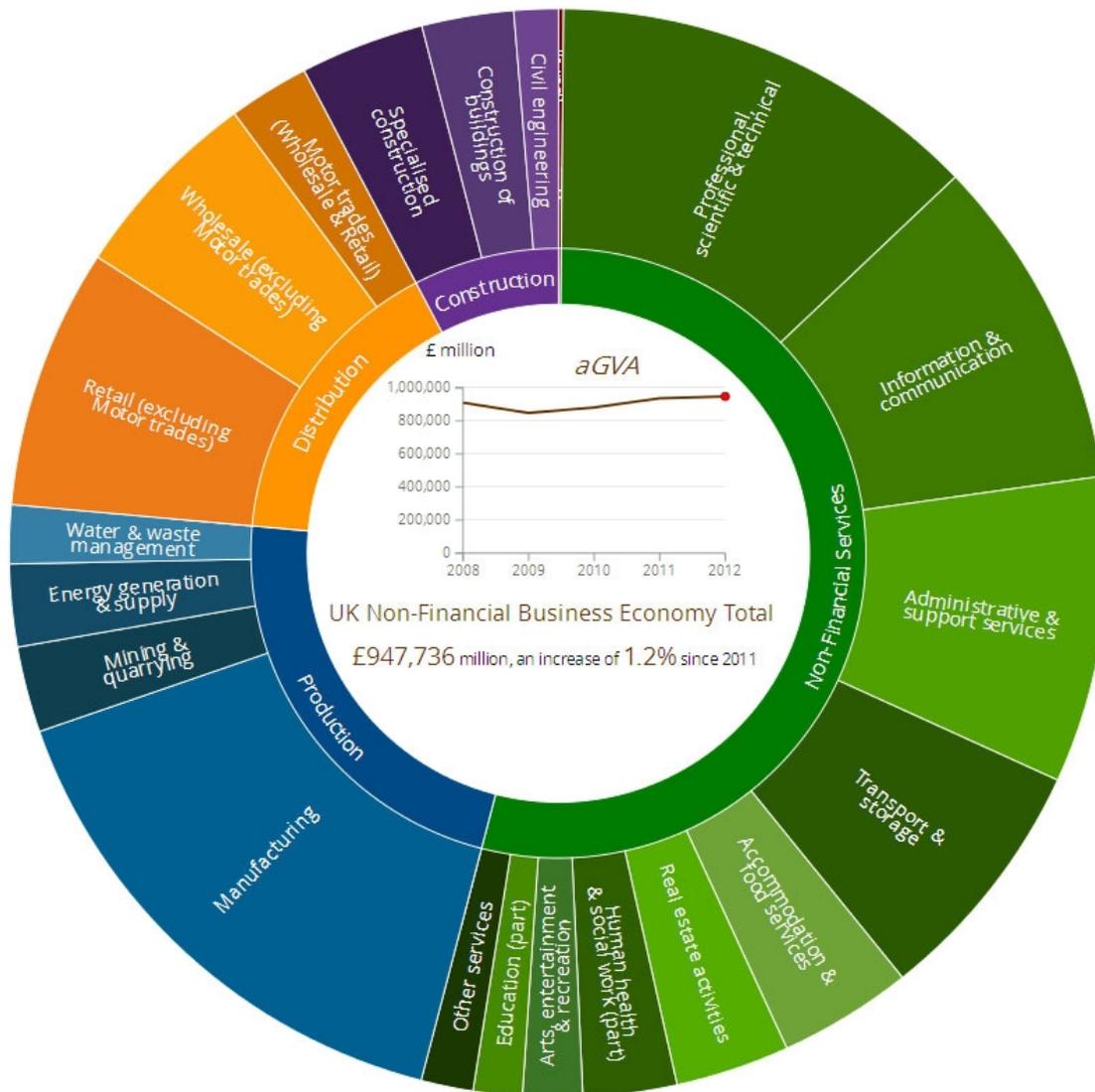
## 3 . User engagement

We constantly aim to improve this release and its associated commentary. We would welcome any feedback you might have, and would be particularly interested in knowing how you make use of these data to inform your work. Please contact us via email: [abs@ons.gov.uk](mailto:abs@ons.gov.uk) or telephone Heather Bovill on +44 (0)1633 455107.

## 4 . Interactive Wheel for the UK Non-Financial Business Economy

### Interactive wheel for the UK Non-Financial Business Economy

Use the [Interactive Wheel](#) to investigate which sectors contribute most to the UK Non-Financial Business Economy. Focus on the Business Economy as a whole or each sector and switch between aGVA, Turnover and Purchases.



## 5 . UK Non-Financial Business Economy, Sections A-S (part)

In 2012, the income generated by businesses in the UK, less the cost of goods and services used to create this income was estimated to be £947.7 billion. This amount represents the approximate Gross Value Added at basic prices (aGVA) of the UK Non-Financial Business Economy. Between 2011 and 2012 aGVA increased by 1.2% (£11.3 billion); a continuation of the recovery seen between 2009 and 2011 although at a slower rate. This increase resulted in aGVA being above the level seen at the start of the recession, in 2008, for the second consecutive year.

The main drivers of aGVA are:

1. Turnover (the main component of income)
2. Purchases (the main component of the consumed goods and services)

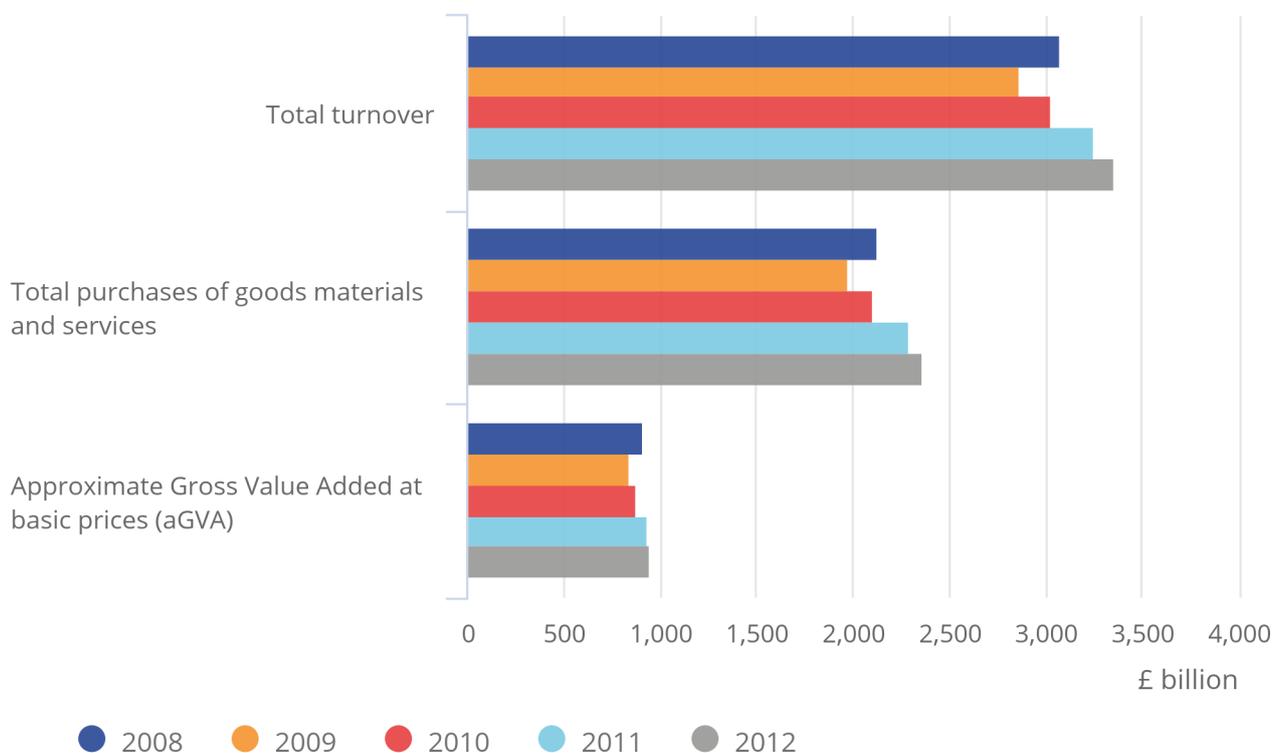
The consecutive annual increases seen in aGVA are a result of similar consecutive increases in both turnover and purchases. Turnover increased by 3.1% (£101.9 billion) between 2011 and 2012, while purchases of goods, materials and services increased at a higher rate of 3.4% (£78.1 billion), resulting in aGVA growth that was lower than growth for turnover. As with aGVA, turnover and purchases were above levels seen at the start of the recession for the second consecutive year (see Figure 1).

The recession and recovery described by the ABS between 2008 and 2012 is broadly in line with Gross Domestic Product (GDP) figures published in the National Accounts. Both the ABS aGVA estimates and the National Accounts GDP estimates show a fall between 2008 and 2009 and then three consecutive annual increases from 2009 to 2012.

A list of industries which are included in the ABS measure of the UK Non-Financial Business Economy, can be found in background note 8.

**Figure 1: UK Non-Financial Business Economy, details of income and expenditure and resulting aGVA, 2008-2012**

Figure 1: UK Non-Financial Business Economy, details of income and expenditure and resulting aGVA, 2008-2012



**Source: Office for National Statistics**

**Notes:**

1. A list of industries which are included in the ABS measure of the UK Non-Financial Business Economy, can be found in background note 8

Both the Non-Financial Services and the Construction sectors saw increases in aGVA between 2011 and 2012, while aGVA in the Production, Distribution and Agriculture sectors experienced decreases.

Non-Financial Services, the largest industry sector of the UK Non-Financial Business Economy contributed most to the increase in aGVA. Non-Financial Service sector aGVA rose by 6.4% (£30.5 billion) between 2011 and 2012, the third consecutive annual increase, taking aGVA to £510.6 billion. The Non-Financial Service sector is the only sector where aGVA is above the level seen in 2008, at the start of the recession.

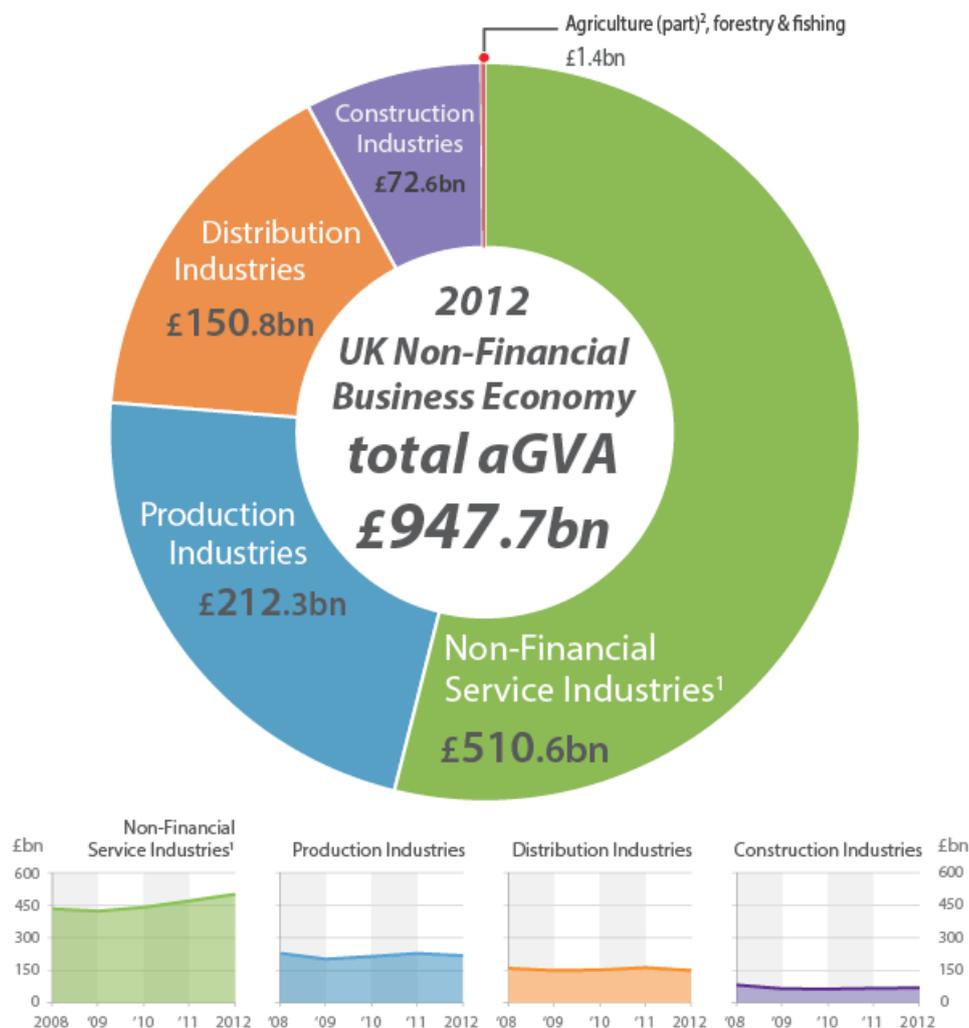
The Construction sector also experienced growth in aGVA between 2011 and 2012 for the second consecutive year, increasing by 2.8% (£2.0 billion), however, aGVA still remains below that seen in 2008.

The Distribution sector experienced a decrease in aGVA, following two consecutive annual increases, with a fall of 6.9% (£11.2 billion) between 2011 and 2012 taking it back below the level in 2008, at the start of the recession.

Production saw a decrease in aGVA for the first time in three years, falling by 4.4% (£9.8 billion) between 2011 and 2012. This fall has seen aGVA for the Production sector fall further below that in 2008, at the start of the recession.

The Agriculture (part), forestry and fishing sector experienced a fall in aGVA of 12.3% (£0.2 billion) between 2011 and 2012, and at £1.4 billion, aGVA for the industry also remains lower than the level in 2008.

**Figure 2: UK Non-Financial Business Economy, details of aGVA by sector, 2008-2012**



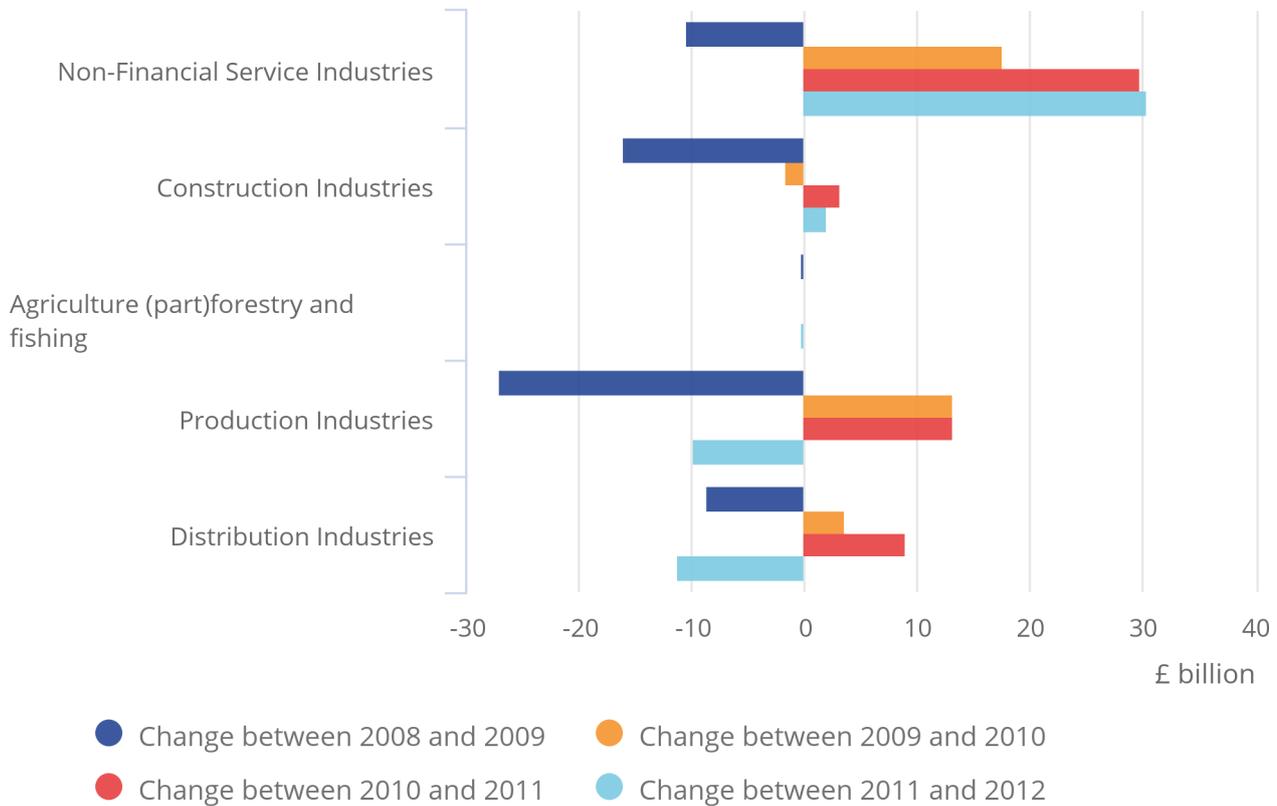
Source: Office for National Statistics

**Notes:**

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

**Figure 3: UK Non-Financial Business Economy, details of aGVA growth by sector, 2008-2012**

Figure 3: UK Non-Financial Business Economy, details of aGVA growth by sector, 2008-2012



Source: Office for National Statistics

Notes:

1. A list of industries which are included in the ABS measure of the UK Non-Financial Business Economy, can be found in background note 8

## 6 . Non-Financial Service Industries, Sections H-S (part)

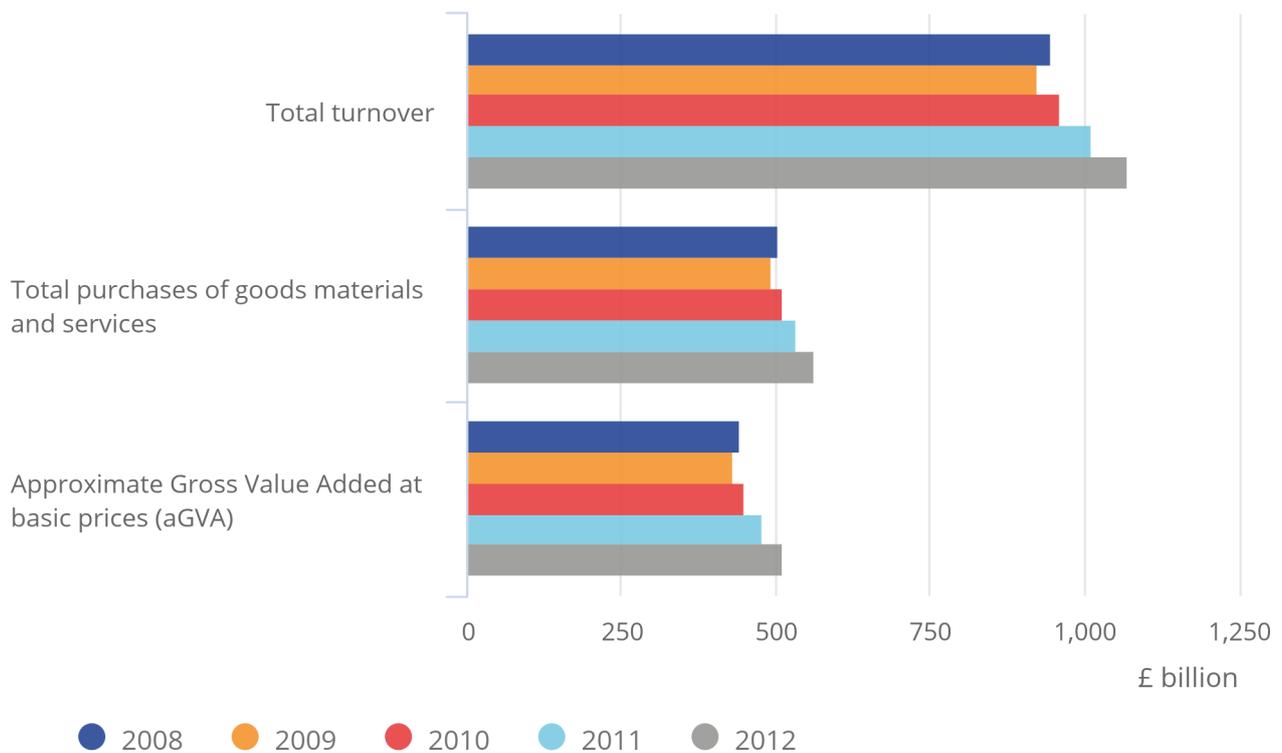
Just over half (53.9%) of the estimated aGVA total of £947.7 billion in 2012 for the UK Non-Financial Business Economy was generated by the Non-Financial Service industries.

Between 2011 and 2012 Non-Financial Service turnover increased at a higher rate than purchases, 5.8% (£58.5 billion) compared to 5.4% (£28.7 billion), resulting in aGVA rising by 6.4% (£30.5 billion).

This is the third consecutive year of growth in aGVA for the sector, following the fall between 2008 and 2009. Turnover, purchases and aGVA are now well above the level seen in 2008 at the start of the recession (see Figure 4).

**Figure 4: Non-Financial Service Industries, details of income and expenditure and resulting aGVA, 2008-2012**

Figure 4: Non-Financial Service Industries, details of income and expenditure and resulting aGVA, 2008-2012



**Source: Office for National Statistics**

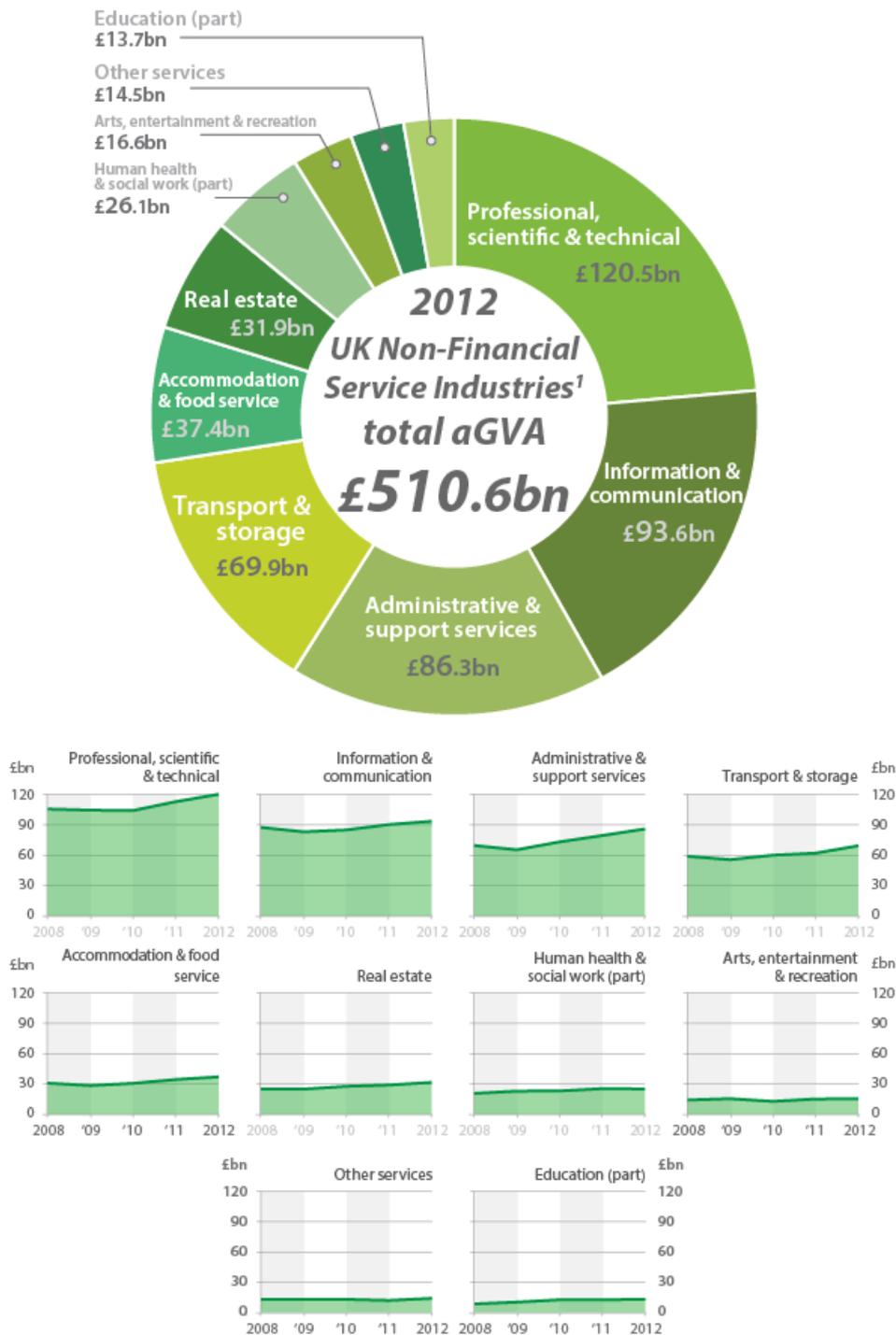
**Notes:**

1. A list of industries which are included in the ABS measure of the UK Non-Financial Business Economy, can be found in background note 8

All of the industry sections within the Non-Financial Service sector saw increases in aGVA between 2011 and 2012 with the exception of Human health & social work activities (part of Section Q) which saw a small decrease (see Figures 5 and 6).

Those industries which have made the largest contributions to growth are Professional, scientific & technical activities (Section M), Transport & Storage (Section H), Administrative & support service activities (Section N) and Information & communication (Section J). Together these industries accounted for an increase in aGVA of £23.7 billion.

**Figure 5: Non-Financial Service Industries, details of aGVA by section, 2008-2012**



Source: Office for National Statistics

**Notes:**

1. Excludes Financial and insurance; Public administration and defence; public provision of Education; public provision of Health and all medical and dental practice activities

## **Professional, scientific & technical activities (Section M)**

Turnover in Professional, scientific & technical activities increased by 4.5% (£8.9 billion) between 2011 and 2012, with purchases showing an increase of only 2.5% (£2.2 billion). This resulted in growth of 6.3% (£7.1 billion) in aGVA, resulting in aGVA remaining above that reported for 2008 for the second consecutive year.

This broad section, which covers a range of industries from Legal & accounting activities to Advertising & market research and Veterinary activities, saw increases in aGVA in almost all its divisions between 2011 and 2012. Those making the largest impact on aGVA growth were Architectural & engineering activities & technical testing & analysis (Division 71) and Advertising & market research (Division 73). Both divisions showed increases in turnover coupled with either a decrease or a smaller increase in purchases.

## **Transport & storage (Section H)**

Turnover in Transport & storage increased by 8.0% (£11.3 billion) between 2011 and 2012, with purchases only rising by 5.8% (£4.7 billion) resulting in an 11.2% (£7.0 billion) increase in aGVA.

The main industries driving growth within Transport & storage were Warehousing & support activities for transportation (Division 52), Land transport & transport via pipelines (Division 49) and Postal & courier activities (Division 53). Increases in this sector may be related to the effect of the internet economy. Data on the retail sector indicates that turnover from mail order and via the internet continued to increase at a higher rate than turnover from shops. Increases seen in Warehousing & support activities for transportation and Postal & courier activities are likely to partly result from the delivery and storage of items ordered from the internet.

## **Administrative & support services (Section N)**

Between 2011 and 2012 Administrative & support activities saw turnover rise by 5.9% (£9.7 billion), while purchases increased by 4.0% (£3.5 billion) leading to an aGVA increase of 7.9% (£6.3 billion).

The main industries driving growth within Administrative & support activities were Employment activities (Division 78) where aGVA increased by 14.7% (£3.3 billion). The growth has been driven by Temporary employment agency activities (Group 78.2) which may be a result of businesses being more likely to recruit temporary rather than permanent staff as a result of continued economic uncertainty. Rental & Leasing Activities (Division 77) and Office Administration, office support & other business support activities (Division 82) also made substantial contributions to the increase in aGVA.

## **Information & communication (Section J)**

Information & communication experienced a 0.6% (£1.1 billion) rise in turnover, which, coupled with a 1.7% (£1.7 billion) fall in purchases, resulted in growth in aGVA of 3.5% (£3.2 billion) between 2011 and 2012.

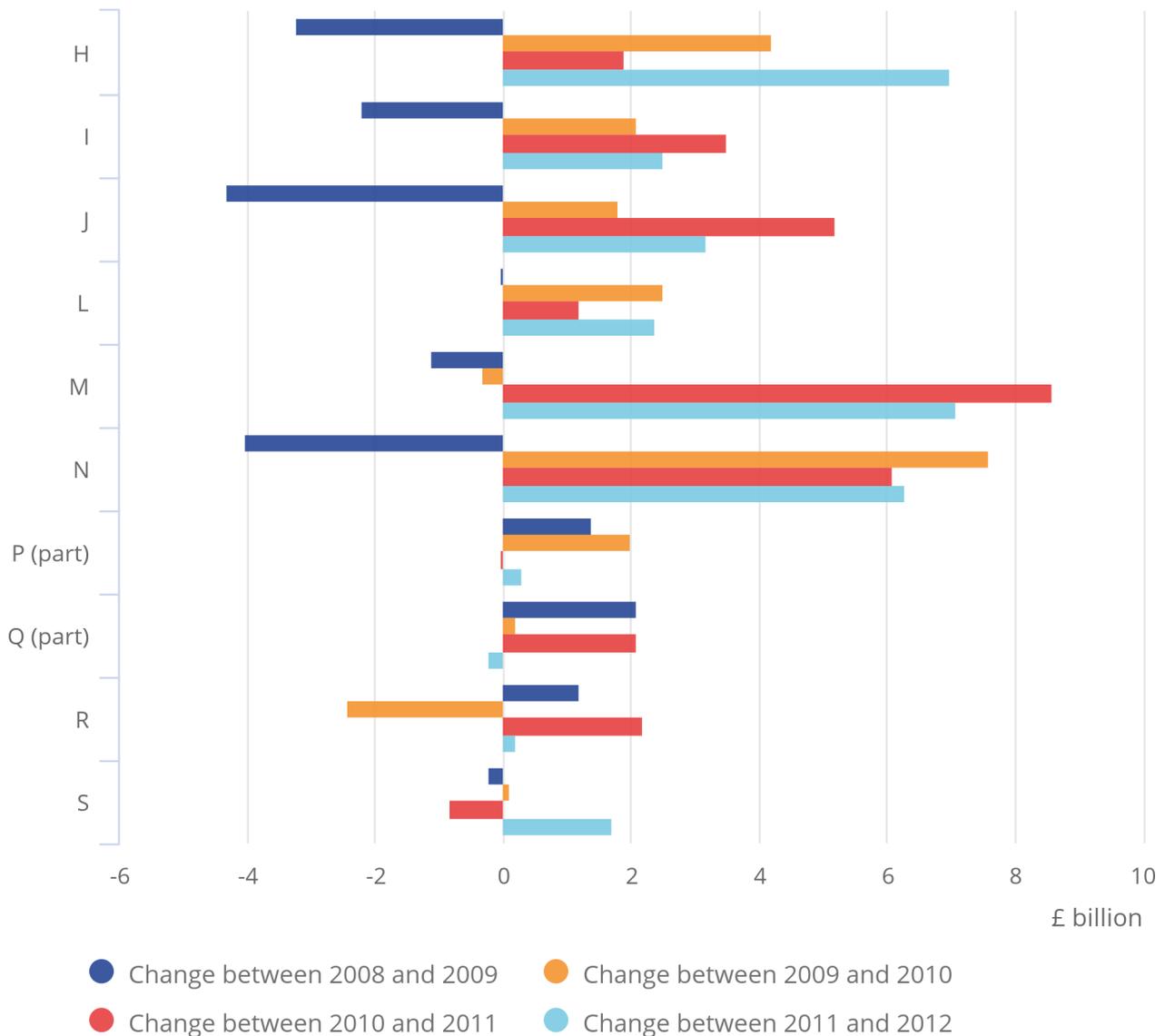
The majority of industries within Section J showed an increase in aGVA between 2011 and 2012, with the biggest driver of growth coming from Computer programming, consultancy & related activities (Division 62) with 5.7% (£2.2 billion). Some businesses in this sector reported that they were undergoing cost cutting measures to try to make themselves more profitable under the current market conditions.

## Finance & insurance (Section K)

The ABS has included estimates for the Insurance & Reinsurance industries (SIC 2007 Groups 65.1 and 65.2 respectively) in its UK National releases since 2008. This is the only part of Financial and Insurance Activities (Section K) covered by the survey. As with any new time-series, estimates for these industries have remained experimental while ongoing quality assurance has taken place. This quality assurance has led the figures to be revised substantially in recent years with a resulting break in the series between 2009 and 2010. Due to ongoing volatility the estimates for this series have been removed to allow for a more detailed quality assessment to be undertaken. The removal of these series does not affect other industries published as part of this release and has no impact on any other financial statistics published by the ONS.

**Figure 6: Non-Financial Service Industries, details of aGVA growth by section, 2008-2012**

Figure 6: Non-Financial Service Industries, details of aGVA growth by section, 2008-2012



Source: Office for National Statistics

Notes:

1. H Transport and storage
2. I Accommodation and food service activities
3. J Information and communication
4. L Real estate activities
5. M Professional, scientific and technical activities
6. N Administrative and support service activities
7. P (Part) Education
8. Q (Part) Human health and social work activities
9. R Arts, entertainment and recreation
10. S Other service activities
11. A list of industries which are included in the ABS measure of the UK Non-Financial Business Economy, can be found in background note 8

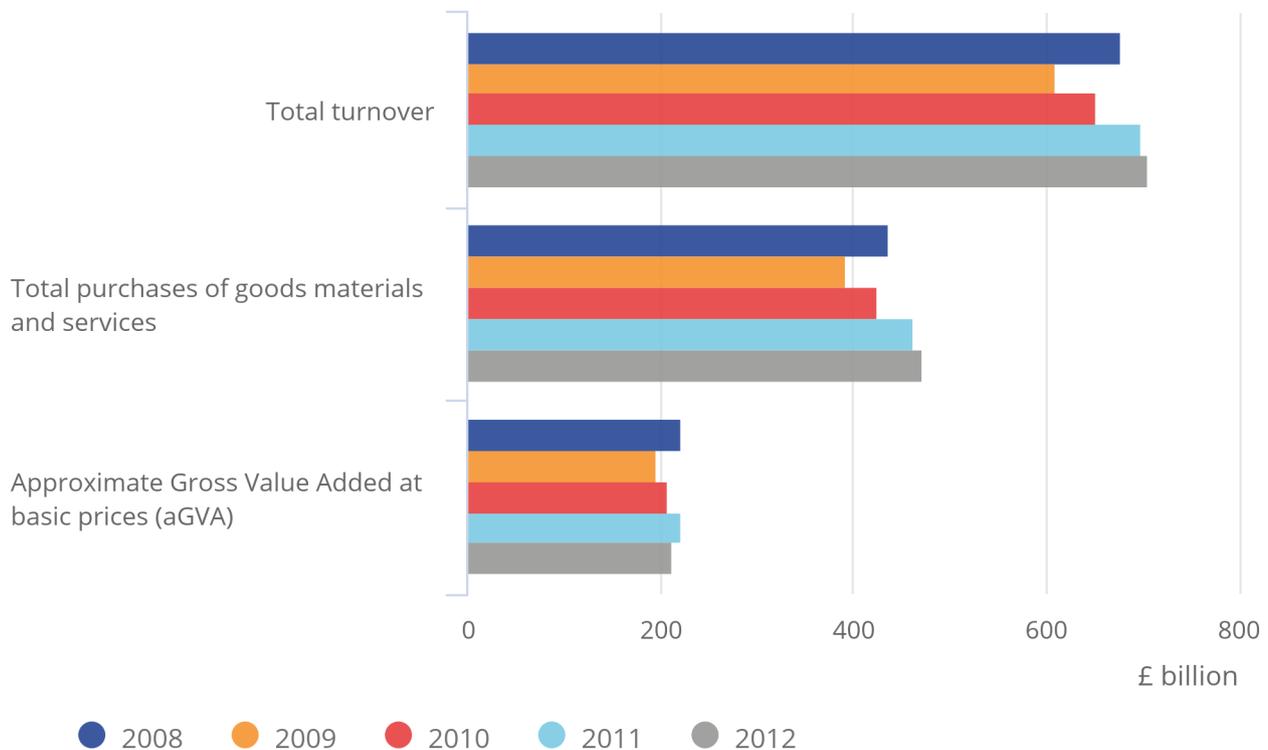
## 7 . Production industries, Sections B-E

The Production sector in 2012 provided just under a quarter (22.4%) of the estimated aGVA total of £947.7 billion for the UK Non-Financial Business Economy.

Turnover increased by 1.0% (£7.1 billion) over the period, but unlike the Non-Financial Service sector, purchases in the Production sector increased at a higher rate (2.2%, £10.0 billion) leading to a decrease in aGVA of 4.4% (£9.8 billion). This fall in aGVA follows two consecutive annual increases and sees aGVA drop further below the level seen in 2008 before the recession (see Figure 7).

**Figure 7: Production industries, details of income and expenditure and resulting aGVA, 2008-2012**

Figure 7: Production industries, details of income and expenditure and resulting aGVA, 2008-2012

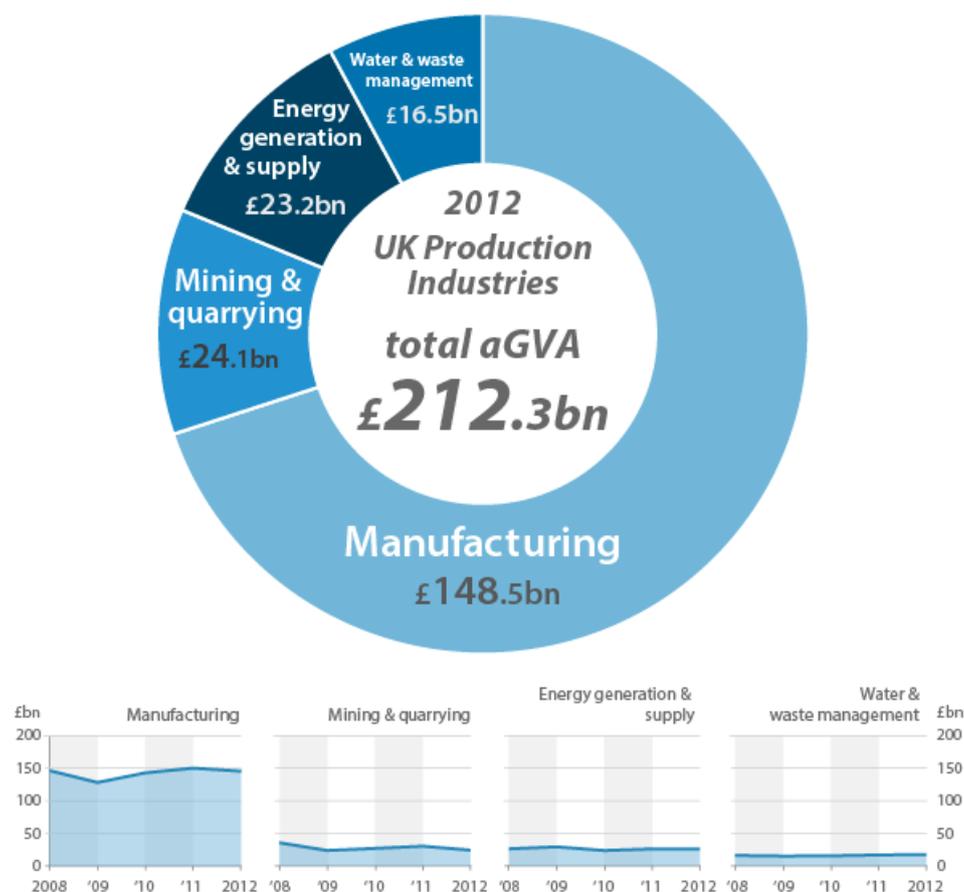


**Source: Office for National Statistics**

All sections within Production saw falls in aGVA between 2011 and 2012 with the exception of Water & waste management (Section E), which saw an increase of 3.7% (£0.6 billion) in aGVA.

The decrease in aGVA within Production was jointly driven by Mining and quarrying, with a fall of 18.3% (£5.4 billion) and Manufacturing with a decrease of 3.1% (£4.7 billion) (see Figures 8 and 9).

**Figure 8: Production industries, details of aGVA by section, 2008-2012**



Source: Office for National Statistics

### **Mining & quarrying (Section B, which includes oil and gas extraction)**

Turnover in Mining & quarrying decreased by 9.6% (£5.3 billion) while purchases increased by 1.6% (£0.4 billion) resulting in an 18.3% (£5.4 billion) decrease in aGVA. This decrease was almost entirely driven by Extraction of crude petroleum and natural gas (Division 06) which saw a 23.2% (£5.9 billion) decrease in aGVA which may be a result of prolonged periods of maintenance to offshore oil rigs.

### **Manufacturing (Section C)**

For Manufacturing there were increases of 1.1% (£5.7 billion) in turnover and 1.0% (£3.3 billion) in purchases. Despite turnover increasing at a higher rate than purchases aGVA decreased by 3.1% (£4.7 billion) largely as a result of decreases in stock levels and increases in taxes.

The picture within Manufacturing was mixed: while the majority of divisions saw decreases in aGVA between 2011 and 2012, around a third of the twenty four divisions experienced increases.

Across the Production sector many divisions have been affected by a trend among multinational companies towards restructuring on an international basis. Such restructuring has caused companies to be classified under different sectors to those they have historically occupied, with movements from traditional production industries towards wholesalers and toll processors.

The decrease in manufacturing aGVA was driven primarily by Manufacture of basic pharmaceutical products & pharmaceutical preparations (Division 21), Manufacture of basic metals (Division 24) and Manufacture of chemicals & chemical products (Division 20). Together these three divisions account for a decrease of £3.7 billion.

The £2.0 billion decrease in aGVA for Manufacture of basic pharmaceutical products and pharmaceutical preparations (Division 21) can be attributed to a reduction in turnover alongside an increase in purchases, cited by some businesses as a result of decreased exclusivity of some previously patented products.

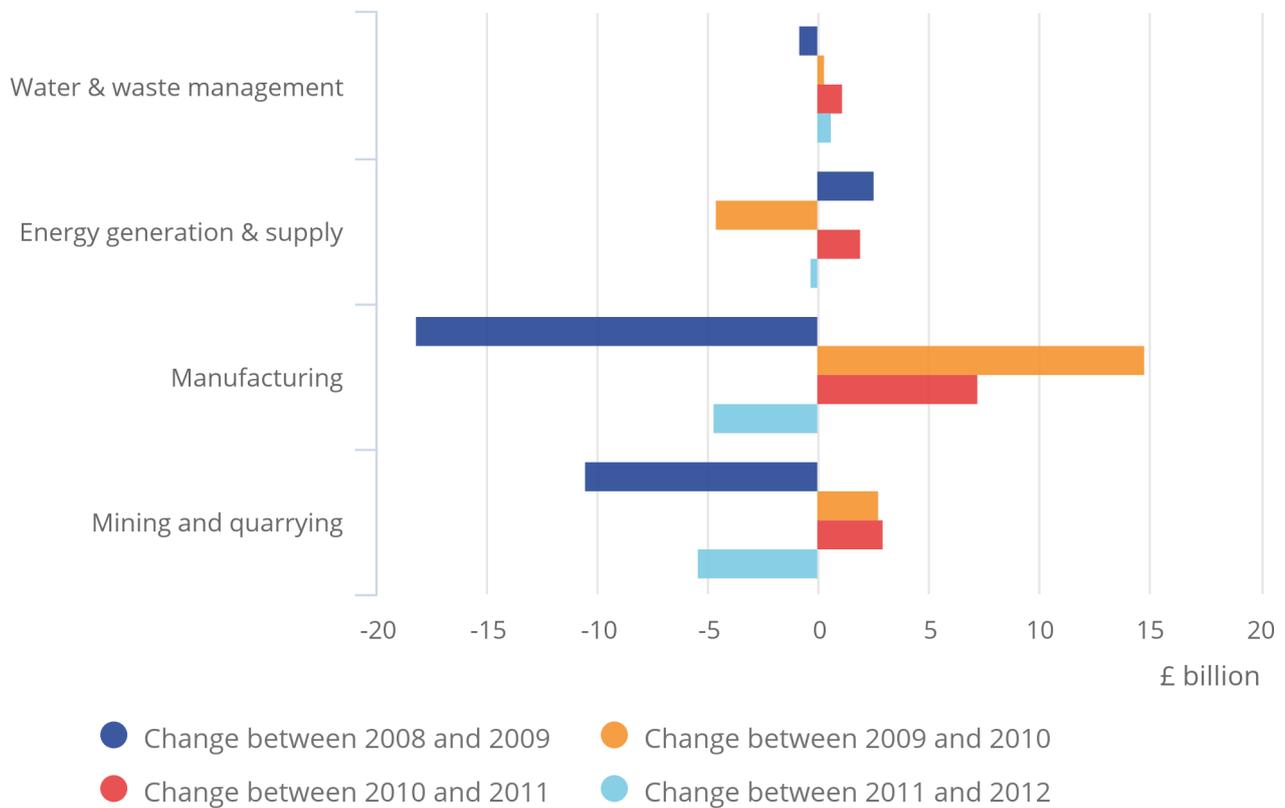
Of the divisions showing growth between 2011 and 2012 the largest growth was in the Manufacture of fabricated metal products, except machinery & equipment (Division 25) which showed a rise in aGVA of 8.5% (£1.1 billion).

## **Energy generation & supply (Section D)**

Electricity generation & supply saw purchases increase at a higher rate than turnover between 2011 and 2012 (8.3% (£6.4 billion) and 6.6% (£6.6 billion respectively), resulting in aGVA decreasing by 1.3% (£0.3 billion). Rises in turnover and purchases are thought to be influenced by increased price of raw materials influenced by international events such as the closing of Japan's nuclear program and Middle East unrest.

**Figure 9: Production industries, details of aGVA growth by section, 2008-2012**

Figure 9: Production industries, details of aGVA growth by section, 2008-2012



Source: Office for National Statistics

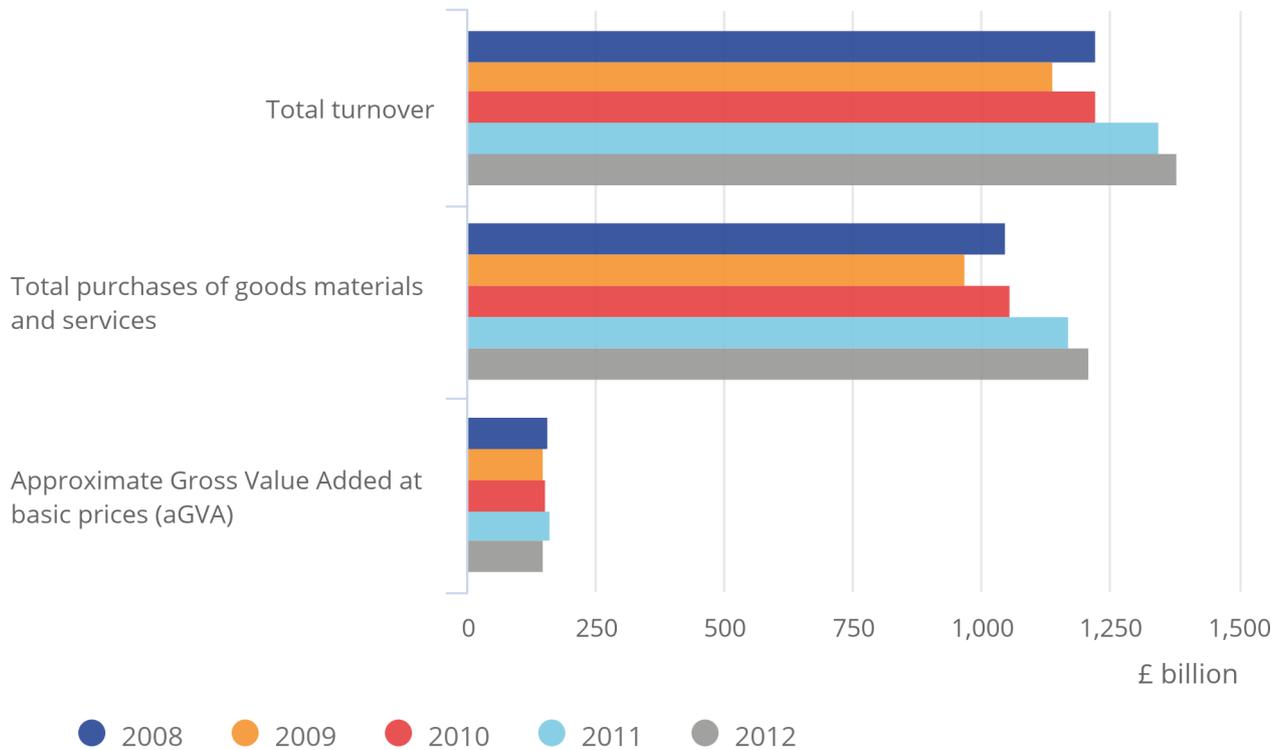
## 8 . Distribution industries, Section G

The Distribution industries in 2012 provided 15.9% of the estimated aGVA total of £947.7 billion for the UK Non-Financial Business Economy.

This sector saw a 2.6% (£34.9 billion) rise in turnover and a larger 3.5% (£40.7 billion) increase in purchases between 2011 and 2012. This contributed to the decrease in aGVA of 6.9% (£11.2 billion). This fall follows two consecutive years of growth and takes Distribution aGVA to a level lower than in 2008 at the start of the recession (see Figure 10).

**Figure 10: Distribution industries, details of income and expenditure and resulting aGVA, 2008-2012**

Figure 10: Distribution industries, details of income and expenditure and resulting aGVA, 2008-2012



**Source: Office for National Statistics**

Performance within Distribution was mixed (see Figures 11 and 12), with the decrease in aGVA between 2011 and 2012 driven by Wholesale (excluding Motor trades).

**Figure 11: Distribution industries, details of aGVA by division, 2008-2012**



Source: Office for National Statistics

### Wholesale (excluding Motor trades) (Division 46)

Wholesale experienced an increase in turnover of 2.5% (£21.3 billion) and purchases of 3.8% (£29.4 billion) between 2011 and 2012. However, aGVA saw a large decrease of 18.9% (£12.8 billion), although the change without industry restructures and reclassification changes would be less pronounced.

The fall between 2011 and 2012 was driven by changes to Other specialised wholesale (Group 46.7). Performance for this industry group is volatile as it is heavily influenced by changes in oil prices. The high oil prices seen in 2011 have continued into 2012 and wholesalers may have been reluctant to pass the higher prices onto their customers.

### Motor trades (Wholesale and Retail) (Division 45)

Motor trades also contributed to the fall in aGVA in Distribution between 2011 and 2012, with a decrease of 3.8% (£0.9 billion), as purchases increased at a higher rate than turnover, 5.3% (£6.2 billion) and 4.4% (£6.0 billion) respectively. This fall follows two consecutive annual increases.

Within Motor trades, Maintenance & repair of motor vehicles (Group 45.2) contributed most to the fall in aGVA between 2011 and 2012, decreasing by 7.4% (£0.5 billion). This is perhaps a result of consumers putting off car repairs in response to the uncertain economic climate and falling real incomes.

The last few years have seen noticeable changes in the drivers within this division between sales of new vehicles and maintenance of old vehicles. For example, the Sale of motor vehicles (Group 45.1) saw strong growth between 2009 and 2010, followed by a small fall in aGVA between 2010 and 2011 suggesting that consumers could have brought forward purchases of new cars to take advantage of the Government car scrappage scheme (which ran from May 2009 to April 2010). The group experienced slight growth in aGVA between 2011 and 2012, which may show the start of increasing demand for new cars, which would align with the increase in car registrations seen between 2011 and 2012.

On the other hand Maintenance and repair of motor vehicles (Group 45.2) saw very little growth between 2009 and 2010, followed by much stronger growth between 2010 and 2011 when the scrappage scheme had ended. Between 2011 and 2012 aGVA in this group has fallen.

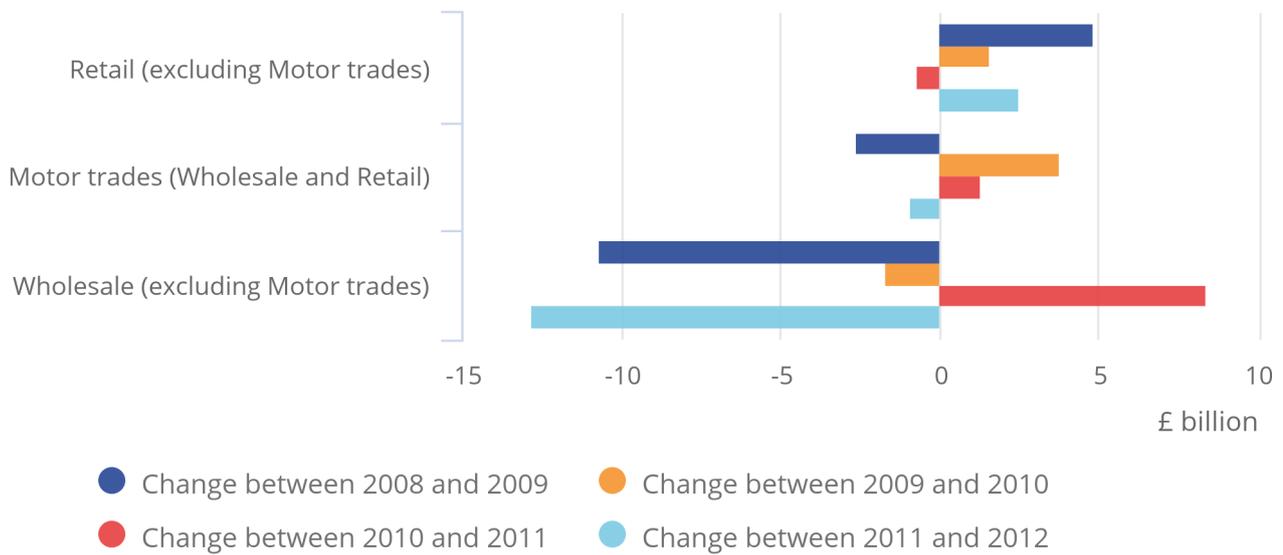
## **Retail (excluding Motor trades) (Division 47)**

In contrast, aGVA in Retail saw an increase of 3.5% (£2.5 billion) between 2011 and 2012. This growth in aGVA was a result of a 2.2% (£7.6 billion) increase in turnover and a smaller 1.9% (£5.1 billion) increase in purchases.

The increases in turnover and purchases were driven by Retail sale of other goods in specialised stores (Group 47.7) and Retail sale in non-specialised stores (Group 47.1) which includes superstores and department stores. Perhaps unsurprisingly, reports from businesses indicate that turnover from mail orders and via the internet increased at a higher rate than turnover from shops. Although increasing, retail sales from mail order and the internet remain a small share of total turnover.

**Figure 12: Distribution Industries, details of aGVA growth by division, 2008-2012**

Figure 12: Distribution Industries, details of aGVA growth by division, 2008-2012



Source: Office for National Statistics

## Notes for distribution industries, Section G

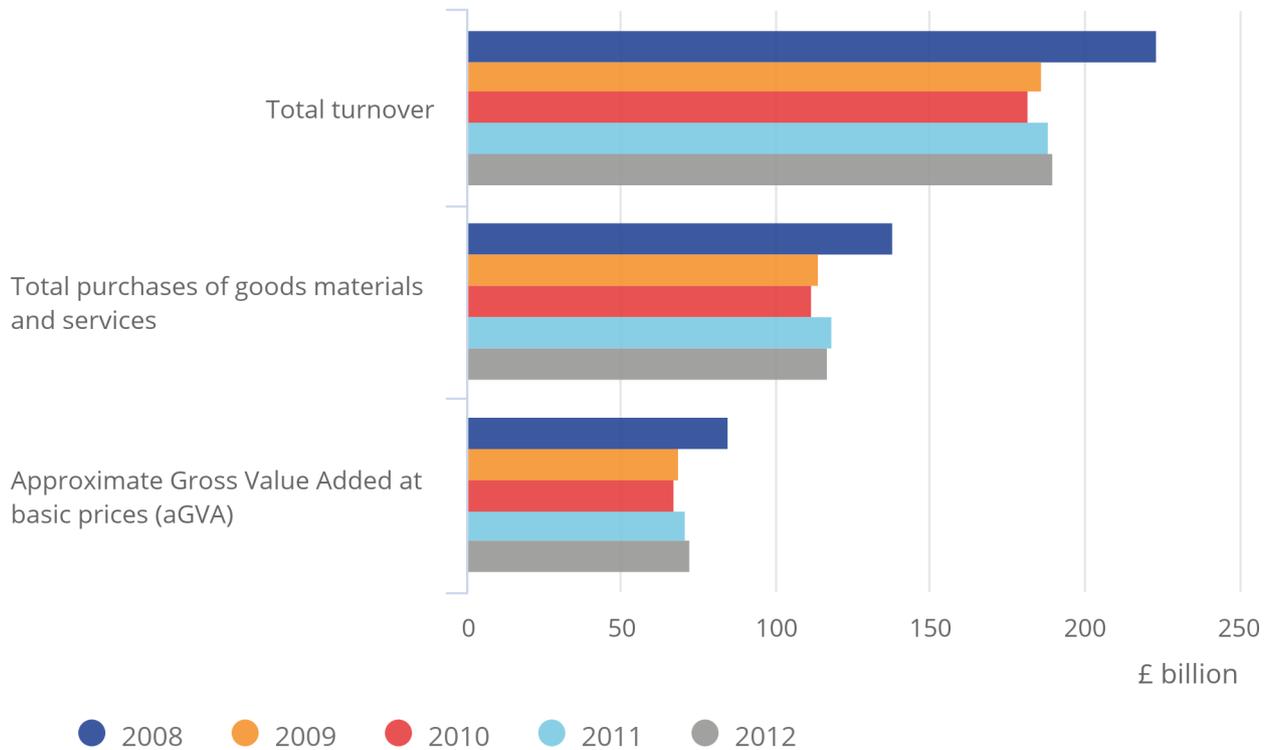
1. Please note that the ABS figures for the Retail industry should not be compared directly with the annual 'value non seasonally adjusted' figures in the monthly 'Retail Sales Inquiry' release because
  - the ABS figures cover the United Kingdom, while the 'Retail Sales Inquiry' covers Great Britain only
  - the ABS 'total' turnover figures in the main results tables represent sales to both business and the public and are published excluding VAT, while those in the 'Retail Sales Inquiry' represent sales to the public only and are published including VAT
2. The ABS does publish 'retail' turnover figures (for sales to the public only) in its Retail Commodities tables which are inclusive of VAT and will be closer to 'Retail Sales Inquiry' figures, however;
  - the ABS 'retail' turnover figures includes data for National Health Service receipts and commissions whereas the 'Retail Sales Inquiry' do not
  - Retail Sales Inquiry does not cover household spending on services bought from the retail sector as it is designed to only cover goods
  - although both quote figures for a calendar year, the 'Retail Sales Inquiry' produce monthly output measures which include average weekly value and volume estimates. The value estimates reflect the average total turnover that businesses have collected over a standard reporting period, while the volume estimates are calculated by taking the value estimates and adjusting to remove the impact of price changes. ABS figures are based on annual responses from businesses covering a range of financial years

## 9 . Construction industries, Section F

Construction turnover increased by 0.7% (£1.3 billion) in 2012 with purchases decreasing by 1.4% (£1.6 billion) to give overall growth in aGVA of 2.8% (£2.0 billion). This is the second consecutive year of growth, but still leaves Construction aGVA £12.2 billion lower than the level in 2008 before the recession (see Figure 13).

**Figure 13: Construction industries, details of income and expenditure and resulting aGVA, 2008-2012**

Figure 13: Construction industries, details of income and expenditure and resulting aGVA, 2008-2012

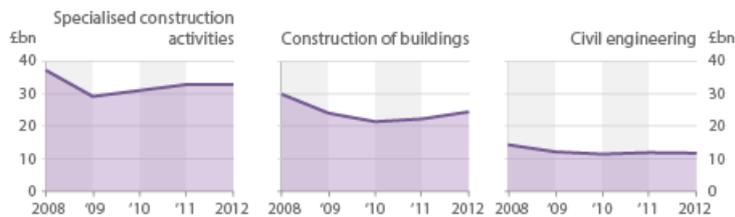
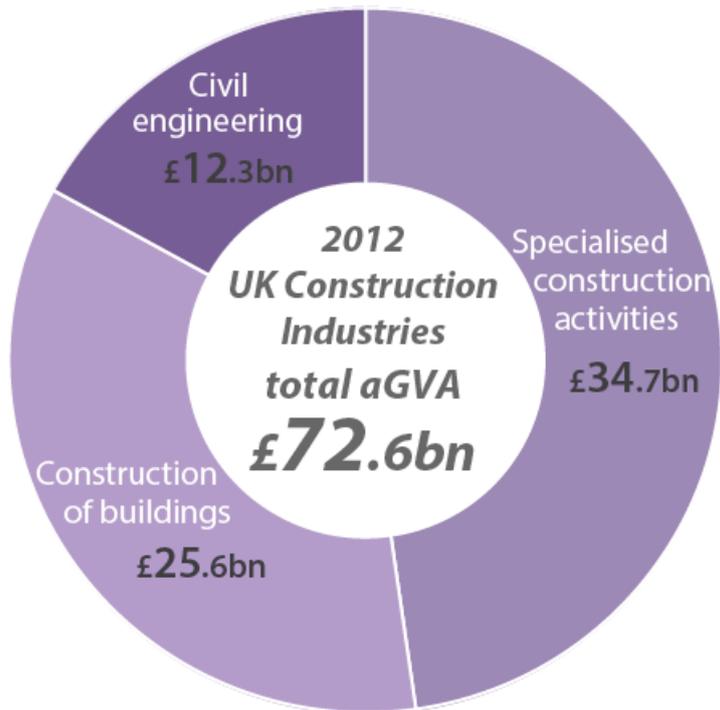


**Source: Office for National Statistics**

Only one division within Construction, Construction of buildings (Division 41), saw increases in aGVA between 2011 and 2012, while the other two divisions saw small falls.

Only one division within Construction, Construction of buildings (Division 41), saw increases in aGVA between 2011 and 2012, while the other two divisions saw small falls.

**Figure 14: Construction industries, details of aGVA by division, 2008-2012**



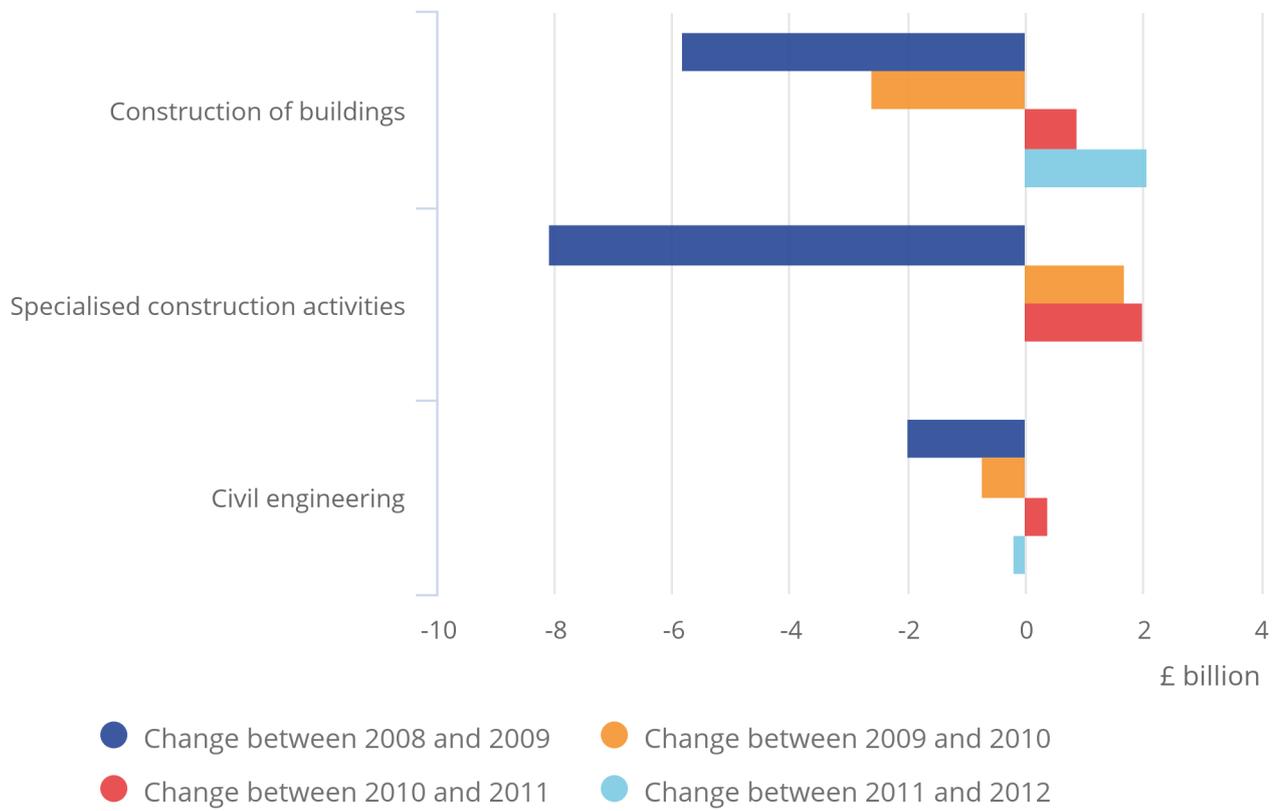
Source: Office for National Statistics

### Construction of buildings (Division 41)

Construction of buildings experienced an increase in aGVA of 9.1% (£2.1 billion) between 2011 and 2012 as a result of a 3.5% (£2.5 billion) increase in turnover and a 1.1% (£0.5 billion) fall in purchases. The main driver of the change was an increase in Development of building projects (Group 41.1).

Figure 15: Construction industries, details of aGVA growth by division, 2008-2012

Figure 15: Construction industries, details of aGVA growth by division, 2008-2012



Source: Office for National Statistics

## Notes for construction industries, Section F

1. Please note that the ABS figures for the Construction industries should not be compared directly with annual figures in the monthly 'Output in the Construction Industry' release because:
  - the ABS figures cover the United Kingdom, while the 'Output in the Construction Industry' covers Great Britain only
  - the two surveys measure different concepts of this industry
  - while both quote figures for a calendar year, the 'Output in the Construction Industry' are based on the aggregate of the responses to 12 monthly surveys, whereas ABS figures are based on annual responses covering a range of business years
  - the ABS figures will always be larger than those in the 'Output in the Construction Industry' because the latter excludes: Property developers (SIC 41.1); Payment on purchased services (architects, technical engineering, etc.); Payment to subcontractors, unless the subcontractors are not classified to construction and therefore are not part of the survey; Value of land; Value of materials sold (which are not part of a structure); and Fixtures, equipment and tools that are sold

## 10 . Agriculture (part), forestry and fishing, Section A

The ABS covers only hunting, forestry, fishing and the support activities to agriculture. Commentary is therefore limited because its size in terms of economic output, as measured by the ABS, is small in comparison to the other sections of the UK Business Economy. However, data for these parts of Section A can be found in the reference tables linked to this bulletin.

The other parts of agriculture, which include crop and animal production, are covered by the [Department for Environment, Food and Rural Affairs \(DEFRA\)](#).

The part of Section A covered by ABS showed rises in turnover of 2.9% (£0.1 billion) between 2011 and 2012 and purchases of 18.1% (£0.4 billion) which led to a decrease of 12.3% (£0.2 billion) in aGVA between 2011 and 2012. This fall means that, at £1.4 billion, aGVA still remains lower than the level in 2008, at the start of the recession.

Validation of data returns for 2011 highlighted a small number of businesses within agriculture (Division 01) which needed to be reclassified resulting in revisions to the 2010 and 2011 figures. In line with the ABS revisions policy previous years (2008 and 2009) have not been revised and users should therefore take caution when comparing figures overtime.

# 11. Background notes

## 1. Annual Business Survey – ABS

The Annual Business Survey (ABS), formerly the Annual Business Inquiry part 2 (ABI/2), produced by the Office for National Statistics (ONS), is the key resource for understanding the detailed structure, conduct and performance of businesses across the UK.

The ABS survey samples approximately 62,000 businesses in Great Britain from a population of over 1.8 million businesses in the sample frame on the Inter-Departmental Business Register (IDBR). The responding businesses provide information such as their turnover, purchases, employment costs, capital expenditure and stocks.

Data for approximately 11,000 businesses in Northern Ireland are collected by the Department of Finance and Personnel Northern Ireland and contribute to the UK estimates.

In this National Statistics publication, a range of estimates are published including turnover, purchases, approximate Gross Value Added at basic prices (aGVA) and employment costs for industry sectors and the UK Business Economy. All data are reported at current prices (effect of price changes included).

Visit the [ABS webpages](#) for more in-depth information about the ABS, plus the latest news on survey changes and developments.

## 2. ABS quality information

A [Quality and Methodology Information \(QMI\) \(149.3 Kb Pdf\)](#) report for the ABS can be found on the ONS website. The aims of the QMI report are to provide users with a greater understanding of ONS's statistics, their uses and the methods that are used to produce them.

The ABS is a sample survey. As with all sample surveys, estimates are subject to various sources of error. The total error in a survey estimate is the difference between the estimate derived from the data collected and the true (unknown) value for the population. The total error consists of two main elements; the sampling error and the non-sampling error. The ABS was designed to minimise both these errors. The standard error is the estimated value of the sampling error. The estimate for a variable, plus and minus the standard error for the variable, gives a range in which the true unknown value for the population should lie. The closer the standard error to 0, the more reliable the estimate.

The coefficient of variation is the standard error of a variable divided by the survey estimate, and it is used to compare the relative precision across surveys or variables. The closer the coefficient of variation is to 0, the more reliable the estimate. Coefficients of variation enable the comparison of the relative precision across surveys or variables. Standard errors and coefficients of variation for turnover, aGVA, purchases, employment costs and capital expenditure are available in the quality measures table published with this release.

More detailed information on these and other quality and methodology issues is available in the [ABS Technical Report \(1.61 Mb Pdf\)](#) published on the [ABS webpages](#).

### Selective editing

When ABS responses are received, checks are undertaken to ensure the information is correct. This is known as editing and validation. Selective editing has been used to validate responses for the first time for the 2011 results using software called SELEKT. SELEKT is a generic selective editing tool which highlights responses which appear to be in error if they fall outside the range of what is expected and have a large influence on key estimates. Those responses with the highest score are prioritised for editing and validation. This increases the efficiency of the editing process by focussing on the responses with the highest impact and importance.

The introduction of selective editing should at least maintain, if not improve the quality of the ABS results as it should: minimise the bias introduced by processing (removing over-editing); remove non-value adding activities from the process; and focus resources to errors that impact on the results.

However, the full impact on quality is not yet known. This will continue to be monitored and any updates will be included with future ABS releases. For more information on SELEKT, see Chapter 5 of the [ABS Technical Report \(1.61 Mb Pdf\)](#).

### 3. Uses and users of ABS statistics

ABS outputs may be used to answer questions such as:

- how much wealth has been created in a particular industry?
- has there been a shift in activity from one industrial sector to another, and which industry groups /classes/subclasses are driving the change?
- are any industries particularly dominant in specific regions or countries of the UK and are there structural changes over time?
- how productive is a particular industry, such as the chemicals sector, and what is its operating profitability?

There are a wide range of users that view, download and utilise the ABS data. Key users of the output include:

**National Accounts:** Use ABS data to improve the overall quality of the UK National Accounts and the measurement of Gross Domestic Product (GDP). It is a major data input to the production of [Input-Output Annual Supply and Use Tables \(1.73 Mb Pdf\)](#), used to set the annual level of UK GDP. The Supply and Use tables show the sales and purchases relationships between consumers and producers by industry (see section 2.1 of UK National Accounts).

**Indices of Services and Production:** Use ABS data to calculate the weights used to produce the indexes, and to calculate the deflation of turnover.

**Eurostat:** ABS is the main source of data supplied to Eurostat to meet the requirements of the European Structural Business Statistics (SBS) Regulation. This regulation ensures that key statistics on the structure of businesses are composed in a way which is comparable across Europe. Eurostat use SBS data to inform and monitor European Union policy.

**Scottish Government** and the **Welsh Government:** The financial information is also used by the Scottish Government and the Welsh Government in the compilation of regional and country specific Input-Output tables (e.g. Scottish Input-Output) and Indices of Production (e.g. [Welsh Indices of Production](#)). The resulting outputs are used to inform and monitor policy.

**Department for Business, Innovation & Skills (BIS):** Use ABS data to assess the structure and performance of UK industries.

**Local Authorities:** Data are used for economic research, planning purposes, lobbying and economic strategy development.

**Business consultants:** Use these data to understand trends in industry sectors and UK regions.

**Marketing experts:** Use these data to undertake demographic mapping and market segmentation.

Other local and national government departments and bodies, businesses, academics and the general public use these data for research, modelling or forecasting and to track industry trends.

More detailed information on the uses and users of ABS is available in the [ABS Technical Report \(1.61 Mb Pdf\)](#) published on the [ABS webpages](#).

### 4. User engagement

We are constantly aiming to improve this release and its associated commentary. We would welcome any feedback you might have, and would be particularly interested in knowing how you make use of these data to inform your work. Please contact us via email: [abs@ons.gov.uk](mailto:abs@ons.gov.uk) or telephone Heather Bovill on +44 (0) 1633 455107.

The Changing Shape of Trade and Investment in the UK, an event coordinated jointly with the Department for Business, Innovation and Skills (BIS), took place in September 2013. The event featured a range of talks from users, producers and suppliers of business trade and investment statistics, not just from central government and the devolved administrations, but also local government, media, business representatives and researchers. To view the content of the day, please visit [Storfiy](#).

## 5. International comparisons

International comparisons of structural business statistics are available from Eurostat (for the European Union), and the Organisation for Economic Co-operation and Development (OECD):

- [Eurostat](#): analysis of the European business economy
- [OECD](#): follow the link to the structural analysis database, under the industry and services theme

## 6. ABS revisions

ABS estimates are revised in line with the ABS Revisions Policy. The revisions policy is available in the [ABS Technical Report \(1.61 Mb Pdf\)](#) to assist users with their understanding of the cycle and frequency of data revisions. Users of this release are strongly advised to read this policy before using the data for research or policy related purposes.

Planned revisions usually arise from either the receipt of additional data or the correction of errors to existing data by businesses responding to the ABS. Those of notable magnitude will be highlighted and explained.

Revisions to published ABS results can be expected at the following times in the normal course of operation of the ABS:

- national figures for the current reference year will usually be revised between the provisional and revised data releases
- national figures for the previous reference year will be revised at the current survey year's revised data release

As an example of the timing and scale of revisions, provisional national data for 2011 were first published in November 2012 and were then revised in the June 2013 release. Between the provisional and revised 2011 national releases there was an overall change in the estimate of UK business economy turnover of 0.6% (£19.2 billion). At the same time (June 2012) national data for 2010 were also revised.

Revisions to data provide one indication of the reliability of key indicators. A [table \(67.5 Kb Excel sheet\)](#) showing the size of revisions is published alongside the statistical bulletin released in June each year.

All other revisions will be regarded as unplanned and will be dealt with by non-standard releases. All revisions will be released in compliance with the same principles as other new information.

## 7. Response rates and compliance costs

The figures in this release are based on an annual survey of businesses. Provisional 2012 results are based on a response rate of 76.3%. Response rates by different sectors can be found in the [Quality Measures spreadsheet \(930 Kb Excel sheet\)](#) accompanying this release.

**Table 1: Sections A-S (part) - UK Non-Financial Business Economy - Response rates by sector**

Standard Industrial Classification (Revised 2007) Sector	Description	%		
		2010 2	2011 3	2012 4
A-S (part) <sup>1</sup>	Agriculture, Fishing, Production, Construction and Non-Financial Service Industries	78.2	77.9	76.3
A (part) <sup>1</sup>	Agriculture, forestry and fishing	76.3	76.4	78.4
B-E	Production Industries	78.7	77.7	77.8
F	Construction Industries	74.8	74.9	70.6
G	Distribution Industries	77.1	77.6	75.9
H-S (part) <sup>1</sup>	Non-Financial Service Industries	79.5	79.0	77.5

Source: Office for National Statistics

Notes:

1. The ABS covers only the UK Non-Financial Business Economy which accounts for approximately two thirds of the UK economy in terms of Gross Value Added The industries covered are: - Agriculture (support activities SIC 01.6 only), forestry and fishing - Section A - Production industries - Sections B-E - Construction industries - Section F - Distribution industries - Section G - Non-Financial Service industries - Sections H, I, J, L, M, N, P (private provision only), Q (private provision only in SIC 86.1 and 86.9), R and S"

2. Response rate at June 2012

3. Response rate at June 2013

4. Response rate at November 2013

## 8. General information

These points should be noted when using ABS results:

### ABS coverage

- Agriculture (support activities SIC 01.6 only), forestry and fishing - Section A (part)
- Production industries - Sections B-E
- Construction industries - Section F
- Distribution industries - Section G
- Non-Financial Service industries - Sections H, I, J, L, M, N, P (private provision only), Q (private provision only in SIC 86.1 and 86.9), R and S

The main industries not covered by the results are:

- Agriculture (SIC 01.1, 01.2, 01.3, 01.4 and 01.5 in Section A)
- Financial and insurance (Section K)

- Public administration and defence (Section O)
- Education (public provision in Section P)
- Health (SIC 86.2, public provision in SIC 86.1 and 86.9 in Section Q)

Data for a small part of the Financial and insurance sector (Insurance and reinsurance only (SIC 65.1 and 65.2)) has been collected by the ABS since 2008 and was previously included in the results. However, following discussions with key users, ONS decided to remove this experimental series from ABS releases for the reference year 2012 onwards due to the continued volatility of the data.

A review of the questionnaire for Insurance and Reinsurance businesses will be undertaken, alongside continued validation of returns to the survey, with the aim of reintroducing them to the ABS publications when the quality of the data has improved. Updates on progress will be available on the [ABS News Pages](#).

## Standard Industrial Classification

ABS results are classified according to the [Standard Industrial Classification of Economic Activities \(SIC\)](#) system. The UK is required by European legislation to have a system of classification consistent with the European Union's industrial classification system. The system underwent a major review in 2007. ABS data have been collected and published on the SIC 2007 system since the reference year 2008.

UK SIC 2007 is divided into 21 sections, each denoted by a single letter from A to U. Each section can be uniquely defined by the next breakdown, the divisions (denoted by two digits). The divisions are then broken down into groups (three digits), then into classes (four digits) and, in several cases, again into subclasses (five digits). So for example we have:

section C manufacturing (comprising divisions 10 to 33) division 13 manufacture of textiles group 13.9 manufacture of other textiles class 13.93 manufacture of carpets and rugs subclass 13.93/1 manufacture of woven or tufted carpets and rugs

The full structure of SIC 2007 consists of 21 sections, 88 divisions, 272 groups, 615 classes and 191 subclasses in SIC 2007.

The business economy is constantly evolving as businesses merge, are taken over, or simply change the main focus of their business. These changes can result in the industry classification of a business changing. For example, if a business undertakes both manufacturing and wholesale activities, but most of its employment is within manufacturing, it will be classified to manufacturing. If the employment were to change substantially so that the majority worked in wholesale then the industry classification would change and the whole of the businesses turnover, for example, would move from manufacturing to wholesale. In industries where movements are common, or where large businesses are involved, these changes can themselves sometimes cause large changes in ABS estimates. This should be taken in to consideration when changes over time are being assessed.

## Calculation of Gross Value Added estimates

The approximate estimate of Gross Value Added at basic prices (aGVA) published in this release is a measure of the income generated by businesses within their industries and sectors, less the cost of goods and services used to create the income. The main component of income is turnover, while purchases is the main component of the consumed goods and services (referred to as intermediate consumption). Stock levels which may rise or fall can also have an impact on aGVA, as can the values of subsidies received or duty paid. Businesses' labour costs (for example, wages and salaries) are paid from the value of GVA, leaving an operating surplus which is a good approximation for profit. The cost of capital investment, financial charges and dividends to shareholders are met from the operating surplus.

The ABS publishes aGVA at 'basic prices'. Gross Value Added (GVA) at basic prices is the output at basic prices minus intermediate consumption at purchaser prices. The basic price is the amount receivable by the producer from the purchaser for a unit of a product, minus any tax payable plus any subsidy receivable on that product.

There are differences between the ABS approximate measure of Gross Value Added and the measure published by National Accounts. The ABS measure of aGVA is called 'approximate' because it does not fully allow for some National Accounts concepts such as taxes, subsidies or income earned in kind. National Accounts carry out coverage adjustments, quality adjustments, coherence adjustments and conceptual and value adjustments such as subtracting taxes and adding subsidies not included in the ABS measure. The National Accounts' estimate of GVA (see section 2.3 of UK National Accounts), uses input

from the ABS and a number of other sources, and covers the whole UK economy, whereas ABS does not include some parts of the agriculture and financial activities sectors, or public administration and defence. The ABS measure covers only market output, whereas National Accounts add non-market output (e.g. government services supplied for free such as education, charities), and own account output (products and services produced and consumed by a business, e.g. a farm growing feed for its own livestock). The ABS total aGVA for the UK Business Economy is around two thirds of the National Accounts whole economy GVA, because of these differences in coverage and calculation. The ABS estimates are also not adjusted for inflation.

More detailed information of the differences between aGVA and GVA is available in the [ABS Technical Report \(1.61 Mb Pdf\)](#) published on the [ABS webpages](#).

### **Business Register and Employment Survey**

The reference tables that support this release include estimates of employment. The ABS does not collect employment level information so instead this key information is taken from another source. In the past, employment data were collected via the Annual Business Inquiry/Part 1 (ABI/1), however, in 2009, ABI/1 was replaced with the Business Register and Employment Survey (BRES). The ABS and BRES are both optimal for their respective purposes, however caution should be taken when combining the financial data from the ABS and employment information from BRES to calculate estimates due to differences in methodology. More information on the differences between ABS and BRES is available in the [ABS Technical Report \(1.61 Mb Pdf\)](#) published on the [ABS webpages](#).

Changes in the treatment of working owners in the 2011 BRES have led to a discontinuity between the 2009 and 2010 BRES employment estimates. The discontinuity was due to double counting being removed in 2011 and 2010 but not in earlier years. The BRES employment estimates presented in the ABS reference tables have not been adjusted to account for this discontinuity so care should be taken when making comparisons between employment in 2010 and that in earlier years. More detail about the discontinuity can be found on the [BRES webpages](#).

## **9. Disclosure control and symbols**

It is sometimes necessary to suppress figures for certain items in order to avoid disclosing information about an individual business. Further information on why data are suppressed is available in the [ONS Disclosure Control Policy](#) or in the [ABS Technical Report \(1.61 Mb Pdf\)](#).

The following symbols are used throughout the ABS releases: \* information suppressed to avoid disclosure. .. not available. - nil or less than half the level of rounding.

## **10. National Statistics**

The United Kingdom Statistics Authority reviewed ABS outputs in their report "[Assessment of compliance with the Code of Practice for Official Statistics: Statistics from the Annual Business Survey – Assessment Report 180](#)." Following the ABS response to the report the UK Statistics Authority have since designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics: - meet identified user needs - are well explained and readily accessible - are produced according to sound methods - are managed impartially and objectively in the public interest

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

## **11. Social media**

Follow ONS on [Twitter](#) and receive up to date information about our statistics.

Like ONS on [Facebook](#) to receive our updates in your newsfeed and to post comments on our page.

## **12. Government Statistical Service (GSS) business statistics**

To find out about other official business statistics, and choose the right data for your needs, use the [GSS Business Statistics Interactive User Guide](#). By selecting your topics of interest, the tool will pinpoint publications that should be of interest to you, and provide you with links to more detailed information and the relevant statistical releases. It also offers guidance on which statistics are appropriate for different uses.

### 13. **Discussing ONS business statistics online**

There is a [Business and Trade Statistics](#) community on the [StatsUserNet](#) website. StatsUserNet is the Royal Statistical Society's interactive site for users of official statistics. The community objectives are to promote dialogue and share information between users and producers of official business and trade statistics about the structure, content and performance of businesses within the UK. Anyone can join the discussions by registering via either of the links above.

### 14. **Special events**

ONS has published commentary, analysis and policy on 'Special Events' which may affect statistical outputs. For full details visit the [Special Events](#) page on the ONS website.

### 15. **Release policy**

ABS UK national results at the industry class level (4 digit Standard Industrial Classification 2007) are available free of charge via the 'Data in this release' button at the top of this publication, or from the [ABS webpages](#) on the ONS website. The published variables include turnover, purchases, aGVA and employment costs.

Additional standard extracts containing more detail are available on request. Bespoke analyses are also available but there will be a charge for these. For more information about either of these services please email [abs@ons.gov.uk](mailto:abs@ons.gov.uk), or telephone +44 (0)1633 456592 for standard extracts, or +44 (0)1633 456601 for bespoke special analyses

Any bespoke analysis carried out for ABS customers will be listed on the [ONS data available on request](#) web pages, and the data sets will be available free of charge on request.

16. Details of the policy governing the release of new data are available by visiting [www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html](http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html) or from the Media Relations Office email: [media.relations@ons.gov.uk](mailto:media.relations@ons.gov.uk)

These National Statistics are produced to high professional standards and released according to the arrangements approved by the UK Statistics Authority.