National Accounts: impact of ESA 2010 changes announced

The Office for National Statistics has today published several articles setting out the effects of the new European System of Accounts 2010 (ESA 2010) on the level of current price GDP.

The articles describe changes that are part of the overall package of improvements that will be implemented in this year’s Blue and Pink Books. The overall package was described in the article published on 28 April. Further articles on 29 May described the impact on current price GDP from those improvements not related to ESA 2010. Today’s articles complement those by giving estimates of the impact on the level of current price GDP from the changes due to implementation of ESA 2010. The estimated impact of the changes on the headline real GDP growth figure (the chained volume measure) is not yet available and will be published later.

The latest estimate of the total impact of all the improvements planned for September 2014 (including those detailed today and on 29 May) shows an estimated increase in the level of GDP in current prices in 2009 of 4.6%, or around £65 billion. That is made up of £32 billion stemming from the ESA 2010 related changes announced today and the £33 billion of other improvements already announced on 29 May.

The major changes detailed in today’s articles are listed below:

- Treatment of most Research and Development expenditures as investment rather than intermediate consumption will increase Gross Fixed Capital Formation (GFCF) and boost the level of current price GDP by approximately £22bn in 2009
- Any weapons systems which are classed as fixed assets will move from intermediate consumption to GFCF, and increase the level of current price GDP by approximately £3½bn in 2009
- The cost of decommissioning sites (such as nuclear power stations) will now also be counted as GFCF, increasing the level of current price GDP by approximately £¼bn in 2009
- Spending on low cost tools used in the manufacturing process, which were previously excluded from GFCF, will boost the level of current price GDP by approximately £¼bn in 2009
- The new treatment of funded defined benefit pension schemes (previously discussed on 28 April) will increase the level of GDP in current prices by approximately £5bn in 2009
In addition, an article detailing changes to the measurement of trade, due to the introduction of new international standards, is also being published. These changes include: the treatment of the import and export of semi-manufactured goods where there is no change in ownership; improvements in the measurement of trade in non-monetary gold; and trade in those goods where the goods do not enter the UK switching from being a trade in services to a trade in goods. However, these new treatments will have no impact on the level of total GDP.

Commenting on the improvements, ONS Chief Economic Adviser Joe Grice said:

“Today, ONS sets out more details about the plans it has already announced for this year’s Blue and Pink Books to improve the measurement of the UK’s changing and evolving economy. These plans are part of an agenda shared with our European and other international partners. They will help ensure that ONS continues to publish high quality and trusted statistics about our economy, as the economy itself evolves.”

ENDS
Background Notes


2. Articles giving details of each of today’s changes are available here:

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