

## **Comparison of GVA from ONS Regional Accounts and approximate GVA from the Annual Business Inquiry**

Gross Value Added (GVA) from the ONS Regional Accounts is a component of Gross Domestic Product (GDP) – a measure of economic activity within the UK. It is a key measure of economic performance produced by the UK National Accounts and, under the income approach to estimation, is calculated by aggregating all the income earned by resident individual or corporations in the production of goods and services.

Approximate Gross Value Added (aGVA) is a measure produced by the Annual Business Inquiry (ABI), outside of the National Accounts framework. It can be used as an approximation to GVA, or in its own right as a measure of business performance. There are situations when aGVA may in fact be the preferred measure, for example when information at a very low level of industrial detail is required.

Estimates of turnover and purchases from the ABI are used to produce estimates of output and intermediate consumption (and therefore GVA) in the National Accounts. The process of converting ABI estimates to National Accounts estimates consists of a number of adjustments which can be summarised as:

- removal of non-market activity included in the ABI coverage;
- adjustment to align with estimates of net taxes on production used in the National Accounts;
- adjustment to align with estimates of inventories (finished goods, stocks of materials, storage and fuels, and work in progress) used in the National Accounts;
- coverage adjustments;
- conceptual adjustments;
- addition of own-use and non-market output using data from other sources;
- coherence (balancing) adjustments.

Although ABI data are used in the production of output and intermediate consumption, many other sources (including surveys and administrative sources) are also used to produce National Accounts estimates. These include sources of data on taxation and inventories (which are preferred to the ABI as they are used consistently throughout all

parts of the National Accounts), as well as own-use output and non-market output (as these activities are only partially covered by the ABI).

There are differences between the two measures of gross value added in terms of coverage. For example, GVA covers the whole of the UK economy while aGVA covers the UK Non-Financial Business Economy, a subset of the whole economy that excludes large parts of agriculture, all of public administration and defence, publicly provided healthcare and education, and the financial sector.

There are conceptual differences between the two measures of gross value added. For example, some production activities such as illegal smuggling of goods must be included in the National Accounts but are outside the scope of the ABI.

There are three approaches to measuring GDP; one based on production activity, one based on expenditure, and one based on income. In theory, the three approaches should produce the same estimate of GDP. However, in practice this is never the case because the three approaches make use of different data sources, each with their own definitions and limitations. The three different estimates are therefore reconciled in a process known as Supply and Use balancing. The balancing process is informed by a variety of data sources, and results in adjustments to estimates of output and intermediate consumption. For many industries, the balancing adjustment is the greatest source of difference between estimates from the ABI and the National Accounts.

When deciding which estimate of gross value added to use for their analysis, users should consider a number of factors including:

- coverage;
- industrial detail;
- quality measurement;
- comparability over time;
- timeliness;
- concepts.

Further information can be found in [“A Comparison between Annual Business Survey and National Accounts Measures of Value Added”](#) published by the ONS in April 2014.