The latest Blue Book 2025 incorporates several methodological changes as well as corrections to PPIs and SPPIs. Although revisions over the past are relatively small and broadly offsetting, the source of methodological revisions will likely impact staff’s productivity and investment assessments. Overall, the revisions leave the level of GDP in 2023Q4 0.3pp higher than earlier estimates. The revised profile now shows a pattern of faster growth over 2022, but also a slightly larger deceleration over 2023.

Furthermore, in terms of statistical innovation, the ONS updated its measurement framework for several key sectors. R&D expenditure was revised through improved survey methods, leading to a 1% shift to the current level of GDP in 2023. Similar updates were implemented for own-account software investment (software created in-house for use in-house), which raised GDP levels and growth over 2021-2023. The measurement of multinational enterprises in the pharmaceutical industry was enhanced, with modest impacts on headline GDP but significant effects for the pharmaceutical sector. Corrections to PPIs and SPPIs were incorporated, with the impacts on GDP estimated to be -0.07pp in 2022 and 0.11pp in 2023. Education output methodology revisions reduced volume GVA growth rates, particularly during 2011-15, with mixed impacts during pandemic years.

As a consequence, the improved methodological changes drive revisions to productivity and welfare measures across the economy. Output per hour annual growth fell by 0.39% in 2023, a positive revision from the 0.42% fall published early this year. The pattern is similar for other annual productivity measures, with both productivity measures mechanically mirroring the increase in GDP levels. Real GDP per head in 2024 is now estimated to be 1.0% lower compared to 2019. This was revised up from the previously published 1.4% fall, which may be revised down due to updates to population data.

Meanwhile, within the expenditure split, the upward revisions were largely driven by stronger GFCF reflecting methodological changes, as well as a higher contribution from stocks in the second half of 2023 (Chart A). This was however partially offset by weaker consumption. The positive contribution of stockbuilding to the revisions may point to a forward-looking view of firms responding to weak demand in 2023Q3 and 2023Q4, which prompts them to adjust production and accumulate inventories.

In contrast, on the income side, the Blue Book does not report a full account of the different components. Wages and salaries, which comprise around two-thirds of household income, were revised down (Chart B). Correspondingly, consumption was also revised down, with a relatively larger fall in wages and salaries evident in 2023Q4.

Nevertheless, the methodological revisions have limited implications for our assessment of the household saving ratio, particularly given the incomplete reporting of non-labour income components. While consumption was revised downward, it remains unclear whether the aggregate household sector achieved higher savings rates across 2022 and 2023. Further data releases will be necessary to clarify the underlying saving dynamics and provide a more complete picture of household financial behavior during this period.

Additionally, the revisions also show business investment reaching 2019Q4 levels in 2021Q4, as opposed to 2023Q1 in prior data releases. It is worth noting that revisions to business investment extend back to pre-2019Q4 and explain changes to R&D and own software, with higher investment levels raising capital stock estimates.

However, despite these methodological improvements, questions remain about the underlying economic narrative. The mixed signals from different GDP components suggest that caution is warranted in drawing strong conclusions about demand conditions from these revisions alone.

On balance, while GDP and to some extent, business investment point to more demand pressures than previously estimated in the economy, consumption leaves us in a different position with the economy showing signs of more pronounced weakness from the consumer side.

Therefore, it will be important to examine to what extent each factor plays out with more detailed data in the QNA release and evaluate how each component influences our estimate of the output gap profile and other key underlying measures in the economy.