

Statistical bulletin

# UK Balance of Payments, The Pink Book: 2020

Balances between inward and outward transactions, providing a net flow of transactions between UK residents and the rest of the world and reports on how that flow is funded.



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# 1 . Main points

- The UK current account deficit widened to 4.3% of nominal gross domestic product (GDP) in 2019, as both trade and primary income deficits increased, from a deficit of 3.7% of GDP in 2018.
- The primary income deficit widened to 1.7% of GDP in 2019 from 1.3% in 2018 as credits (earnings from investment abroad) declined more than debits.
- The total trade deficit expanded slightly to 1.4% of GDP in 2019 from 1.2% of GDP in 2018, as the decrease in the trade in services surplus to 4.5% of GDP outweighed a decrease in the deficit on trade in goods to 5.9% of GDP in 2019.
- The financial account recorded a net inflow of £107.5 billion in 2019 as UK residents reduced their overseas assets by £165.3 billion while non-residents reduced their UK assets by just £57.8 billion.
- The net international investment position (IIP) recorded an increased net liability position of £579.1 billion at the end of 2019 compared with a net liability position of £323.7 billion at the end of 2018 as UK equity markets hit record highs.

## 2 . Fall in primary income earnings drives a widening current account deficit

The categorical breakdown of the current account is used to better understand the flow of transactions between the UK and the rest of the world. Figure 1 focuses on the following three categories:

- trade balance - a measure of net international trade
- primary income - a measure of the balance between resident and non-resident income
- secondary income - a measure of transfers between residents and non-residents

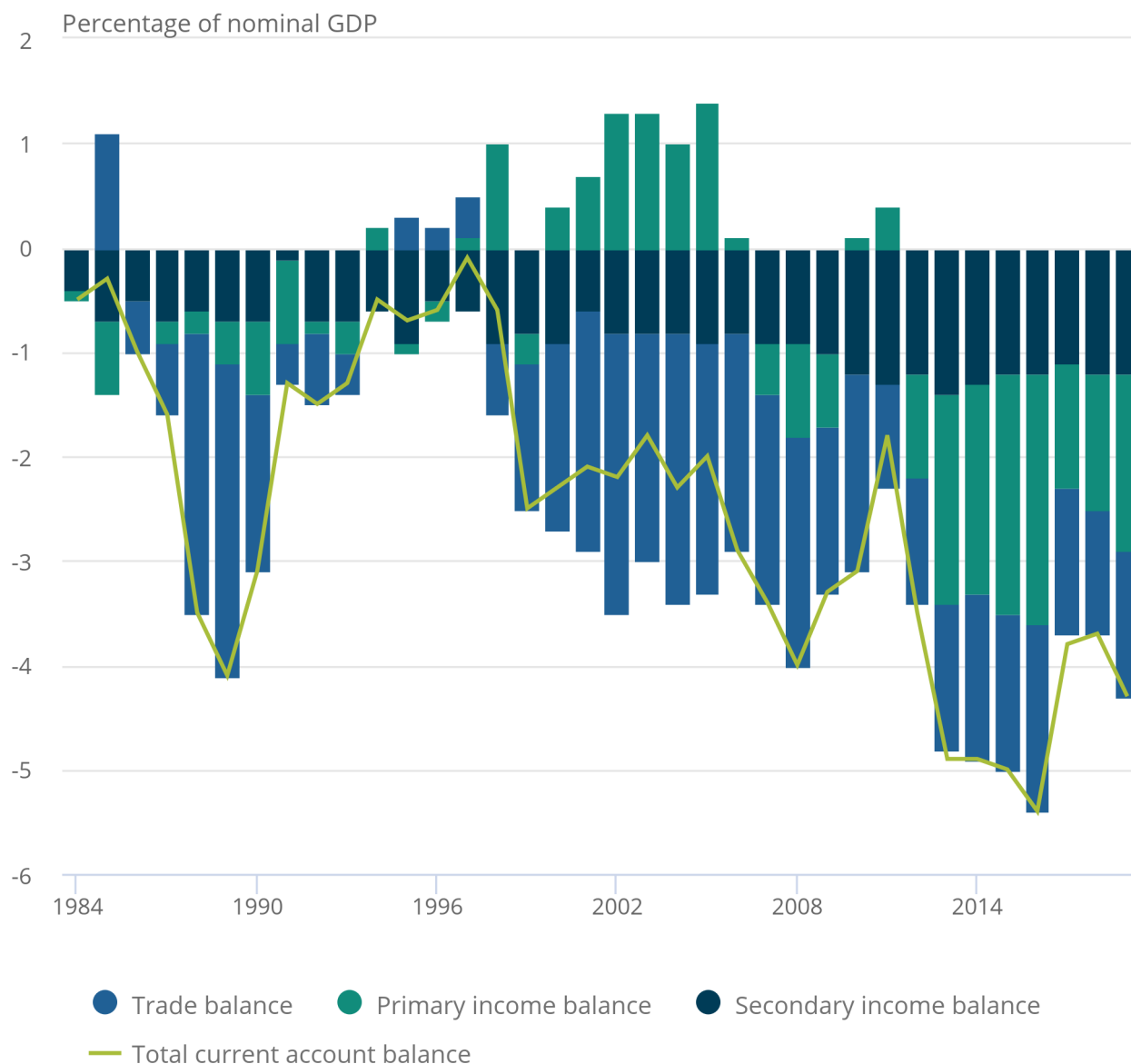
The UK's current account deficit widened from 3.7% of gross domestic product (GDP) in 2018 to 4.3% in 2019, the largest contributor being the widening in the primary income deficit from 1.3% of GDP to 1.7% over the respective periods. Another contributing factor to the expanding current account deficit was the slight widening to the trade balance, from 1.2% of GDP in 2018 to 1.4% in 2019. The secondary income balance remained consistent with the previous year at a deficit of 1.2% of GDP.

**Figure 1: Current account deficit widens as the deficits on primary income and total trade deteriorate**

Contributions to the change in the UK current account balance as a percentage of nominal GDP, 1984 to 2019

## Figure 1: Current account deficit widens as the deficits on primary income and total trade deteriorate

Contributions to the change in the UK current account balance as a percentage of nominal GDP, 1984 to 2019



Source: Office for National Statistics – Balance of Payments

Since 2009, the secondary income balance has remained at a consistent deficit between negative 1.0% and negative 1.4% of GDP, with no annual movements larger than 0.2%. Over the same period, primary income and trade balance movements have been more varied and so tend to play a larger role on current account movements.

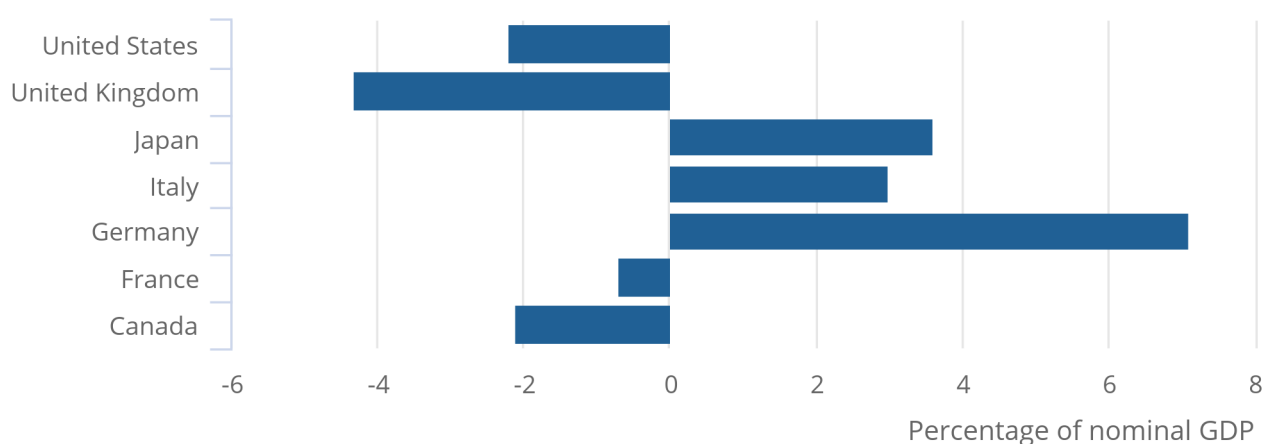
The UK continued to record the largest current account deficit of the developed economies in the G7 in 2019, with the United States and then Canada recording the next largest deficits, as shown in Figure 2. Germany, with its manufacture-based economy continued to record a sizeable surplus equivalent to 7.1% of GDP, albeit slightly reduced in 2019 and the lowest since 2013 (6.5% of GDP).

**Figure 2: The UK continues to run the largest current account deficit as a percentage of nominal gross domestic product in the G7**

Current account balances of the G7 economies 2019, as a percentage of nominal gross domestic product

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Current account balances of the G7 economies 2019, as a percentage of nominal gross domestic product



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

### 3 . The UK trade deficit widened because of a narrowing of the services surplus

The total trade deficit (the difference between exports and imports) widened to 1.4% of gross domestic product (GDP) in 2019, from 1.2% in 2018. The widening of the trade deficit was because of a larger contraction of the trade in services surplus than the trade in goods deficit. The trade in services surplus narrowed from 5.2% to 4.5% of GDP in 2019, whilst the goods deficit narrowed from 6.4% to 5.9% of GDP (Figure 3). This is the lowest since 2009 when it was 5.5% of GDP (it was also 5.9% of GDP in 2010 and 2011).

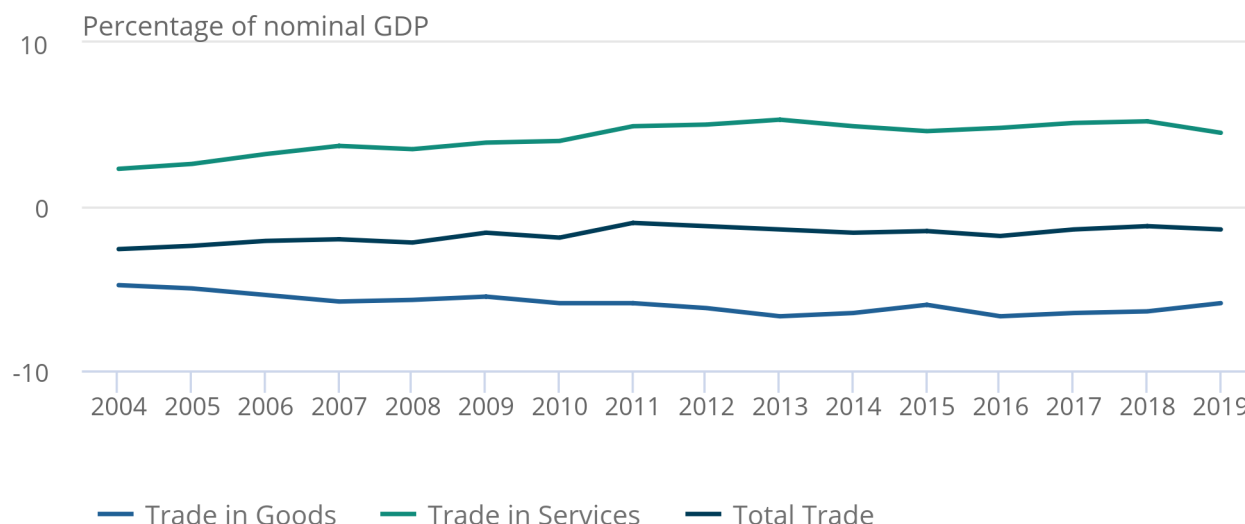
The total trade surplus with non-EU countries widened by £6.1 billion, whilst the total trade deficit with EU countries widened by £11.2 billion. This resulted in the overall total trade deficit expanding by £5.0 billion to £30.5 billion in 2019.

**Figure 3: The total trade deficit widened in 2019 as the services surplus and goods deficit decreased**

UK trade balance as a percentage of nominal GDP, by trade type, 2004 to 2019

## Figure 3: The total trade deficit widened in 2019 as the services surplus and goods deficit decreased

UK trade balance as a percentage of nominal GDP, by trade type, 2004 to 2019



Source: Office for National Statistics – Balance of Payments

## Trade in goods

The trade in goods deficit narrowed by £6.0 billion to £130.9 billion, the first annual improvement to the balance since 2015 (Figure 4). Some of the main contributors to the changing deficit were:

- finished manufactured goods deficit narrowed by £5.2 billion
- coal, gas and electricity deficit narrowed by £4.2 billion
- semi-manufactured goods deficit narrowed by £1.8 billion

The largest offsetting movement was in the oil balance, which switched from a surplus of £0.4 billion to a deficit of £6.6 billion.

The trade in goods deficit with EU countries expanded to £96.7 billion in 2019, from £93.3 billion in 2018. UK exports of goods fell to £170.6 billion, the largest declines recorded in the export of goods to the Netherlands and Belgium. UK imports of goods from EU countries increased slightly to £267.4 billion as increased trading with France, Spain, the Netherlands and other countries outweighed a decrease in imports from Germany.

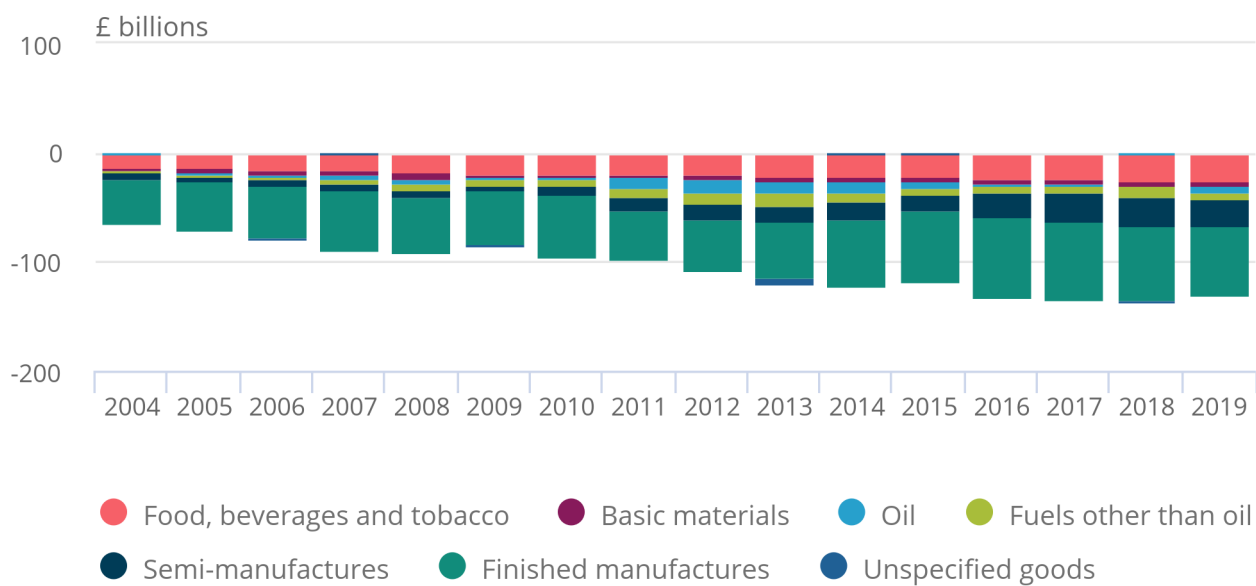
The contraction of the non-EU trade in goods deficit to £34.2 billion in 2019, compared with £43.5 billion in 2018 is largely because of a £24.3 billion increase in UK trade in goods exports, with the Americas and Asia recording the largest increases in export trade activity over the year.

**Figure 4: Narrowing deficits on finished manufactured goods and other fuels improved the trade in goods deficit in 2019**

Contributions to the trade in goods balance by commodity, 2004 to 2019

Figure 4: Narrowing deficits on finished manufactured goods and other fuels improved the trade in goods deficit in 2019

Contributions to the trade in goods balance by commodity, 2004 to 2019



Source: Office for National Statistics – Balance of Payments

Trade in goods exports increased by £22.0 billion to £373.1 billion in 2019. Some of the main contributors to the increase were:

- finished manufactured goods exports increased by £13.2 billion to £198.8 billion
- commodities and transactions not classified according to kind increased by £13.0 billion to £15.9 billion
- semi-manufactured goods increased by £2.2 billion to £90.0 billion

The largest offsetting movement was in oil exports, which decreased from £40.8 billion in 2018 to £33.9 billion in 2019.

Trade in goods imports increased by £16.1 billion to £504.0 billion in 2019. Some of the main contributors to the increase were:

- commodities and transactions not classified according to kind increased by £11.4 billion to £17.2 billion
- finished manufactured goods imports increased by £8.0 billion to £261.8 billion

Imports of coal, gas and electricity offset these positive movements, falling by £4.8 billion when compared with 2018, to £8.6 billion.

## Explore the 2019 trade in goods data using our interactive tools

Our data break down UK trade in goods with 234 countries by 125 commodities.

Use our map to get a better understanding of what goods the UK traded with a particular country. Select a country by hovering over it or using the drop-down menu.

[Download the data](#)

Notes:

1. Because of a very demanding set of changes in the 2020 national accounts annual update, we have been unable to include the top five imports and exports of goods in the interactive map. Data can be found in the country and commodity datasets published [in the UK trade bulletin](#) and we will update within the next UK trade publication on 12 November 2020.
2. For more information about our methods and how we compile these statistics, please see [Trade in goods, country-by-commodity experimental data: 2011 to 2016](#). Users should note that the data published alongside this release are official statistics and no longer experimental.
3. These data are our best estimate of these bilateral UK trade flows. Users should note that alternative estimates are available, in some cases, through the statistical agencies for bilateral countries or through central databases such as [UN Comtrade](#).
4. Interactive maps denote country boundaries in accordance with statistical classifications set out within Appendix 4 of the [Balance of Payments \(BoP\) Vademecum \(PDF, 1.1MB\)](#).

You can also explore the 2019 trade in goods data by commodity, for example, car exports to the EU and UK tea or coffee imports.

Select a commodity from the drop-down menu or click through the levels to explore the data.

## Trade in services

The trade in services surplus narrowed by £11 billion to £100.4 billion in 2019 (Figure 5), the first annual worsening to the balance since 2015 and the lowest surplus since 2016. Some of the main contributors to the narrowing surplus were:

- other business services surplus narrowed by £5.0 billion
- financial services surplus narrowed by £4.7 billion
- telecommunication services surplus narrowed by £4.6 billion
- intellectual property surplus narrowed by £2.7 billion

The main component offsetting the narrowing of the trade in services surplus was a £2.1 billion increase to the transport services balance, switching from a deficit to a surplus for the first time since 2013.

The trade in services surplus with EU countries contracted to £17.5 billion in 2019, compared with £25.3 billion in 2018. The export of services decreased slightly over the year to £123.7 billion while imports of services increased by £6.2 billion to £106.1 billion. Imports of services from France, Luxembourg, Spain and Sweden accounted for much of the increase.

The trade in services surplus with non-EU countries also contracted over 2019 to £82.9 billion, from £86.1 billion in 2018. Services exports with non-EU countries increased by £8.8 billion to £194.0 billion in 2019, with the largest trading increases seen in the United States and across Asian countries. Imports of services from non-EU countries increased by £12.0 billion to £111.1 billion in 2019.

The geographic breakdown for trade in services can be found in the Chapter 9 data tables.

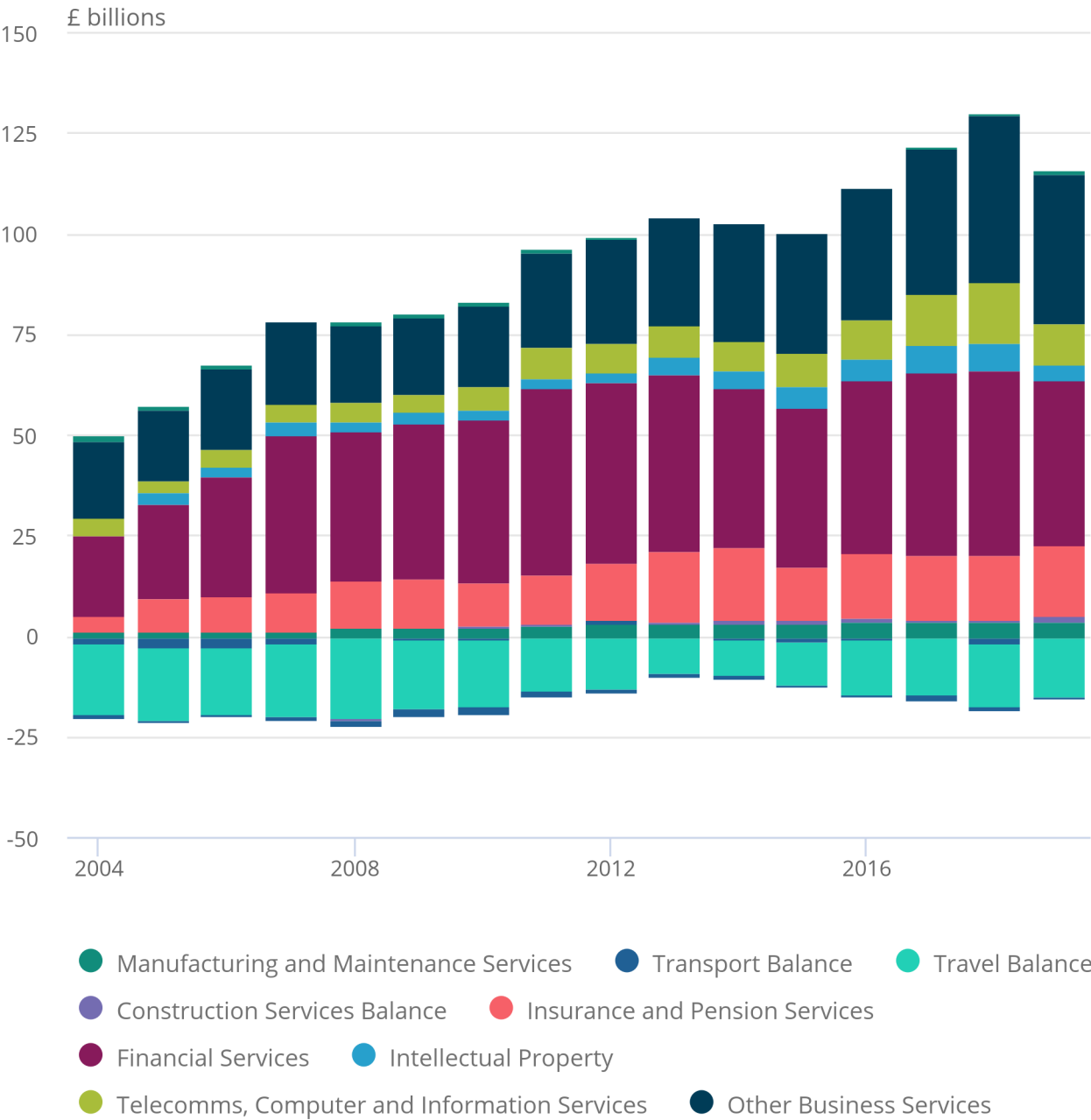


**Figure 5: The trade in services surplus narrowed in 2019 as imports increased substantially more than exports**

Contributions to the trade in services balance by service type, 2004 to 2019

Figure 5: The trade in services surplus narrowed in 2019 as imports increased substantially more than exports

Contributions to the trade in services balance by service type, 2004 to 2019



Source: Office for National Statistics – Balance of Payments

Trade in services exports increased by £7.2 billion to £317.7 billion in 2019 (Figure 6). Some of the main contributors to the increase were:

- other business services increased by £4.5 billion, mainly because of a large movement of services between affiliated enterprises of £5.5 billion
- transport services increased by £3.9 billion, mainly in sea freight
- travel services increased by £3.8 billion

Offsetting decreases in services trade were seen in telecommunication, computer and information services, which decreased by £4.4 billion and financial services, which decreased by £3.1 billion.

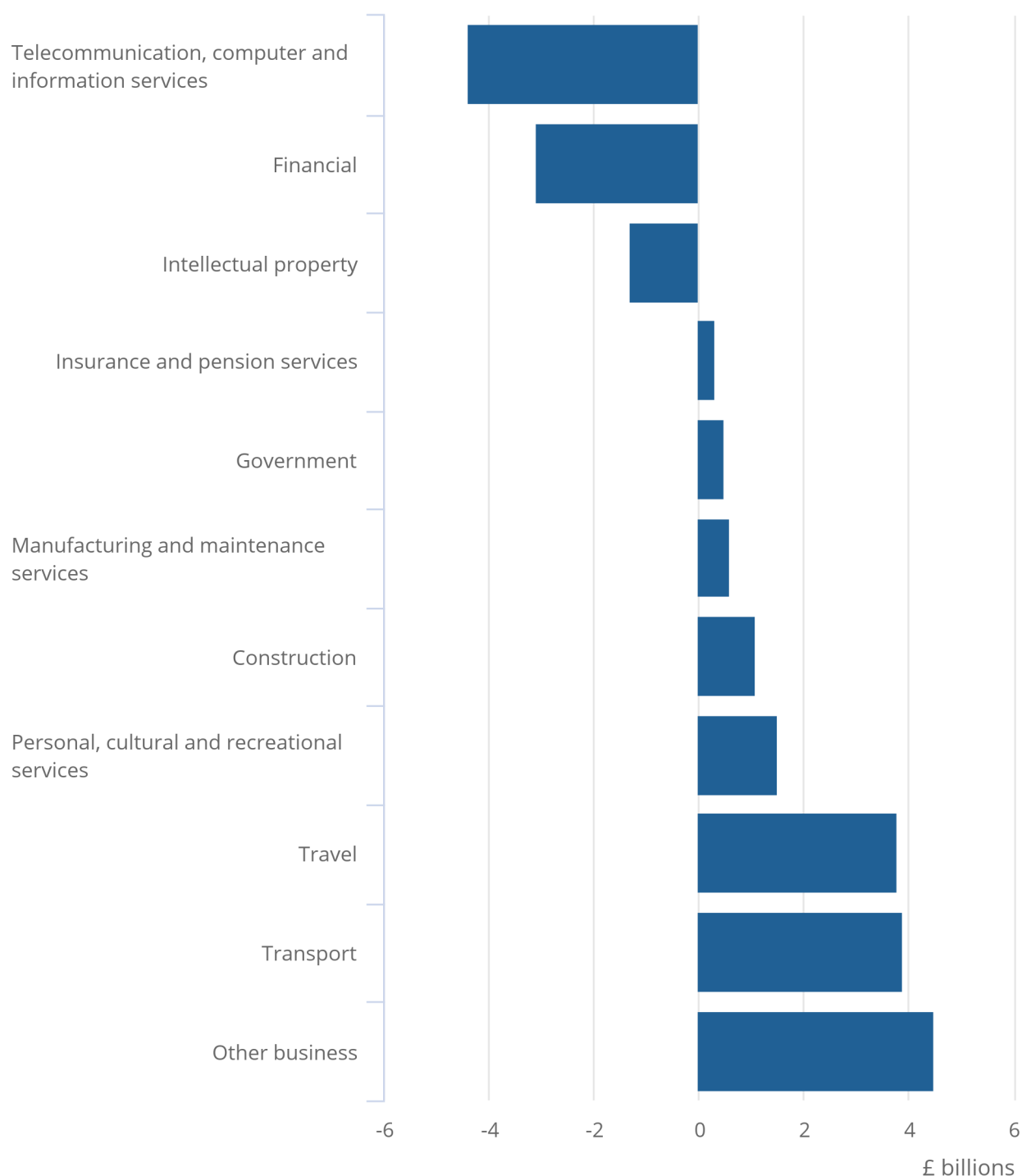


**Figure 6: Declines in telecommunication and financial services partially offset the increases experienced in other business, transport and travel services in 2019**

Contributions to the annual change in the trade in services exports in 2019, by service type

Figure 6: Declines in telecommunication and financial services partially offset the increases experienced in other business, transport and travel services in 2019

Contributions to the annual change in the trade in services exports in 2019, by service type



Trade in services imports increased by £18.2 billion to £217.3 billion in 2019 (Figure 7). Some of the main contributors to the increase were:

- other business services increased by £9.4 billion, mainly because of a large movement of services between affiliated enterprises of £8.1 billion
- travel service imports increased by £3.2 billion
- transport (£1.8 billion), financial (£1.6 billion) and intellectual property (£1.3 billion) all contributed positively to the increase in services imports



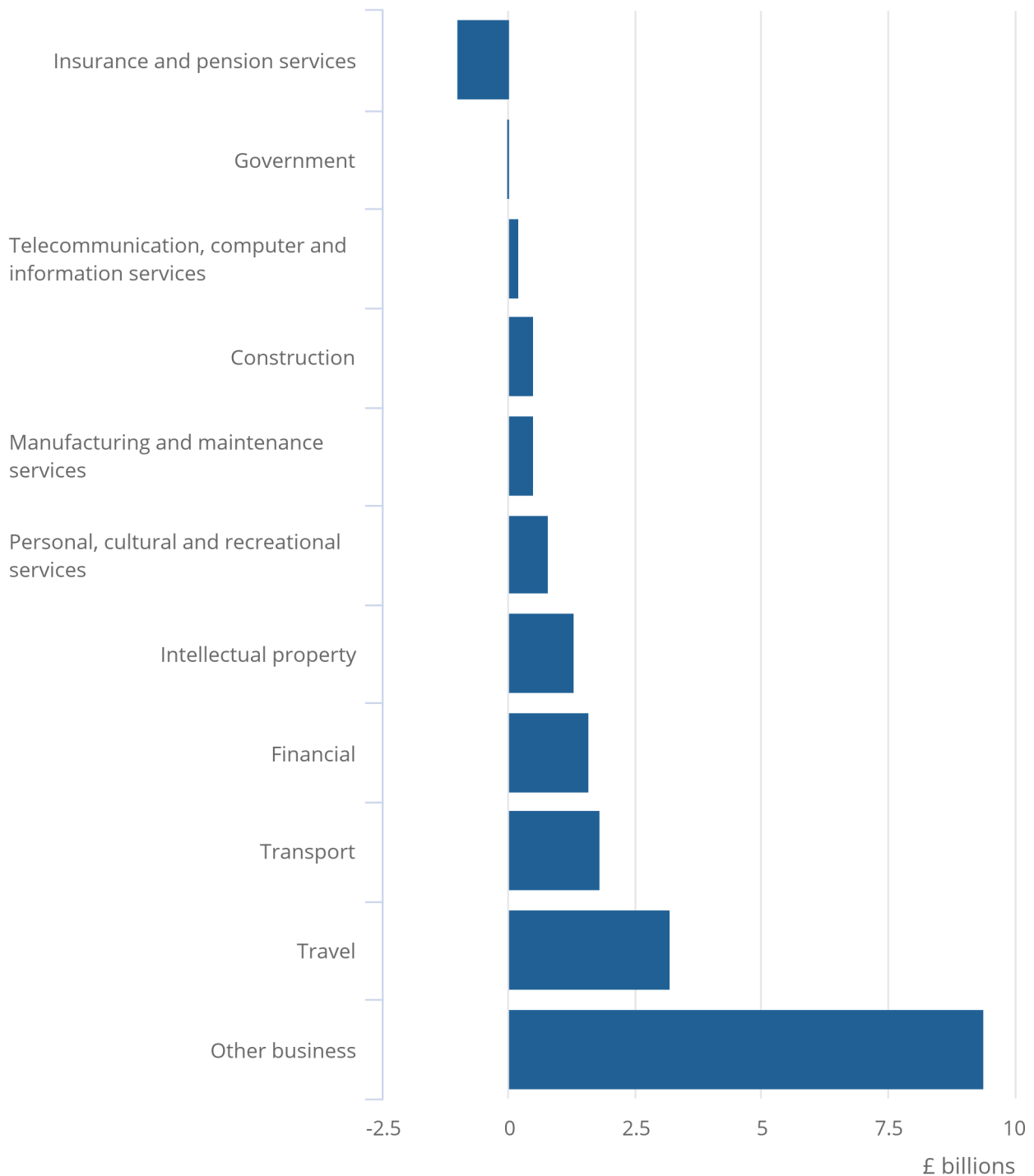
**Figure 7: The majority of services contributed to the large increase in the import of services particularly other business services**

Contributions to the annual change in the trade in services imports in 2019, by service type



Figure 7: The majority of services contributed to the large increase in the import of services particularly other business services

Contributions to the annual change in the trade in services imports in 2019, by service type



## 4 . Total primary income deficit widens because of a large decrease in credits from foreign investments

In 2019, the UK primary income deficit widened by £9.4 billion to £37.3 billion. This is the widest deficit since it peaked in 2016 at a record £48.4 billion.

The widening was because credits decreased by £10.9 billion as UK earnings from foreign direct investment (FDI) decreased by £13.9 billion and portfolio investment abroad decreased by £5.9 billion. Partially offsetting these was an increase in other investment abroad earnings of £8.6 billion.

Debits (foreign earnings on investment in the UK) decreased by just £1.5 billion although there were large offsetting movements. Other investment, and portfolio investment in the UK increased by £12.3 billion and £2.2 billion respectively while earnings on FDI in the UK decreased by £16.1 billion.

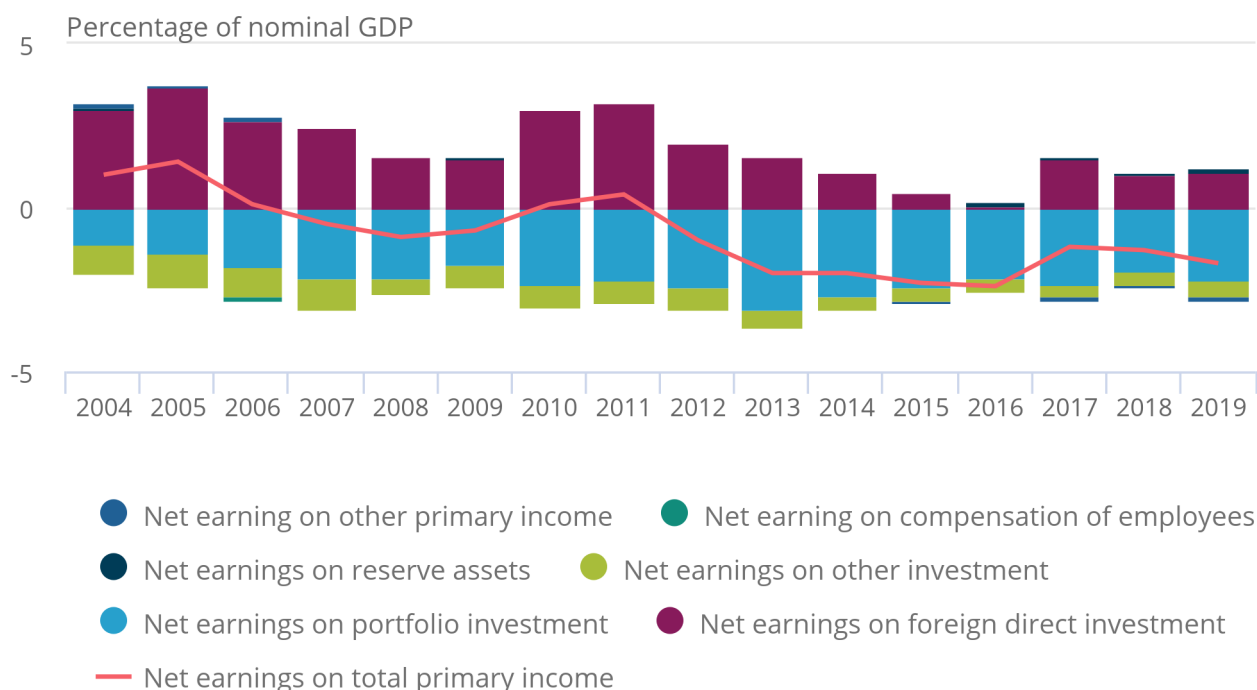
FDI has been the only functional category to have consistently run a surplus and provided a positive impact to the primary income balance, as shown in Figure 8.

**Figure 8: Increasing deficits on portfolio investment and other investment widen the primary income deficit in 2019**

Breakdown of UK primary income balance, as a percentage of nominal gross domestic product, 2004 to 2019

Figure 8: Increasing deficits on portfolio investment and other investment widen the primary income deficit in 2019

Breakdown of UK primary income balance, as a percentage of nominal gross domestic product, 2004 to 2019



Source: Office for National Statistics – Balance of Payments

Two factors can drive changes in earnings:

- level of investment, for example, investing more or less
- rate of return, for example, interest rate movements

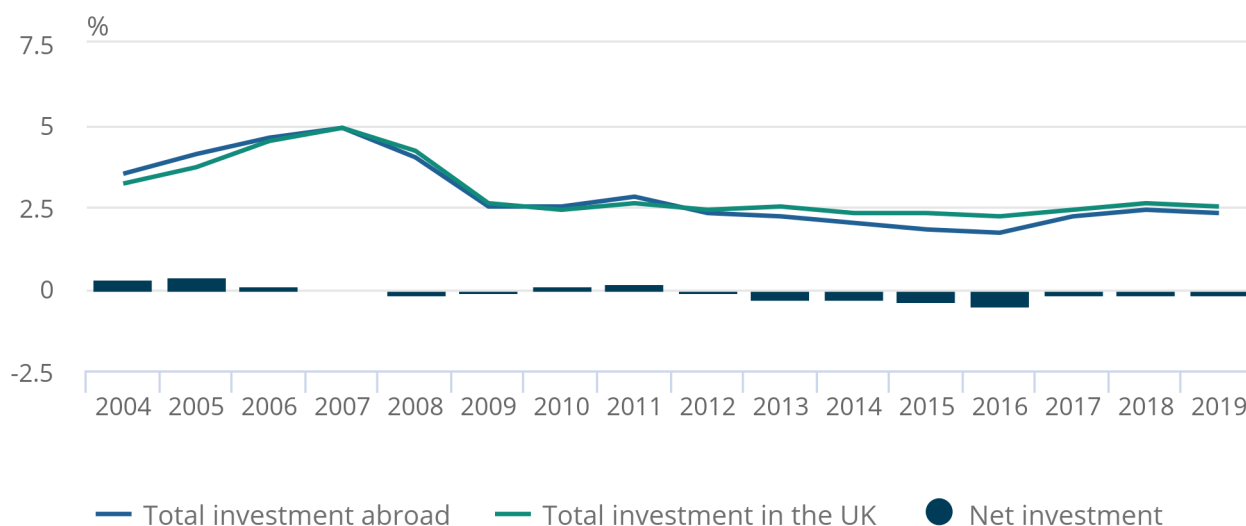
We can analyse investment performance from the point of view of rates of return. The rates of return for both investments in the UK and those abroad reduced slightly in 2019, as shown in Figure 9. The rates of return earned on investments in the UK decreased from 2.6% in 2018 to 2.5% in 2019, maintaining a better rate of return than that earned on UK investments abroad, which decreased from 2.4% in 2018 to 2.3% in 2019.

**Figure 9: The rate of return earned on investments by non-residents in the UK continued to outperform those earned by UK residents overseas in 2019**

Rate of return: UK assets and liabilities, percentage, 2004 to 2019

Figure 9: The rate of return earned on investments by non-residents in the UK continued to outperform those earned by UK residents overseas in 2019

Rate of return: UK assets and liabilities, percentage, 2004 to 2019



Source: Office for National Statistics – Balance of Payments

Notes:

1. Rates of return are estimated for direct investment, portfolio investment and other investment only.
2. Rates of return are calculated using the average of opening and closing stock positions.

## 5 . The surplus on foreign direct investment earnings increased because of debits falling by more than credits in 2019

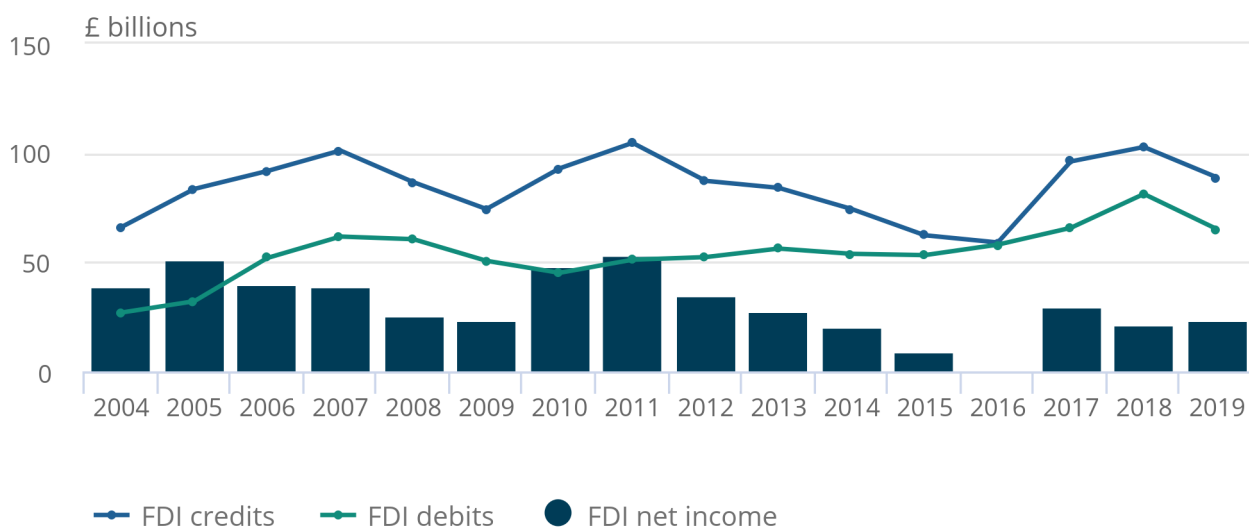
Focusing on foreign direct investment (FDI), in 2019 the larger fall in the value of FDI debits (foreign earnings) compared with FDI credits (UK earnings), widened the FDI surplus to £23.8 billion, from £21.5 billion in 2018 (an increase of £2.2 billion). This was the largest surplus on FDI income since 2017 when it was £30.3 billion (Figure 10).

**Figure 10: Foreign direct investment (FDI) surplus widened slightly in 2019 compared with 2018 because of a larger fall in the value of FDI debits than FDI credits**

UK foreign direct investment (FDI) credits, debits and net income, 2004 to 2019

Figure 10: Foreign direct investment (FDI) surplus widened slightly in 2019 compared with 2018 because of a larger fall in the value of FDI debits than FDI credits

UK foreign direct investment (FDI) credits, debits and net income, 2004 to 2019



Source: Office for National Statistics – Balance of Payments

The value of FDI credits and debits both decreased in 2019 compared with 2018. The value of FDI credits fell from £102.7 billion to £88.8 billion (a decrease of £13.9 billion) over that period. This was the largest decrease since 2012, when FDI credits fell by £17.4 billion compared with 2011.

The value of FDI debits decreased from £81.2 billion in 2018 to £65.1 billion in 2019 (£16.1 billion lower). This was the largest decrease in the FDI debits data series, which started in 1997 on a consistent basis.

Earnings on FDI are an important component of the current account, influencing the balance of payments. As Figure 10 showed, FDI has positively contributed to the UK current account balance since consistent estimates began. In particular, it shows a positive contribution to the current account balance over the period, which fell considerably from £53.5 billion in 2011 to £1.0 billion in 2016 because of a general increase in FDI debit values alongside falling FDI credit values.

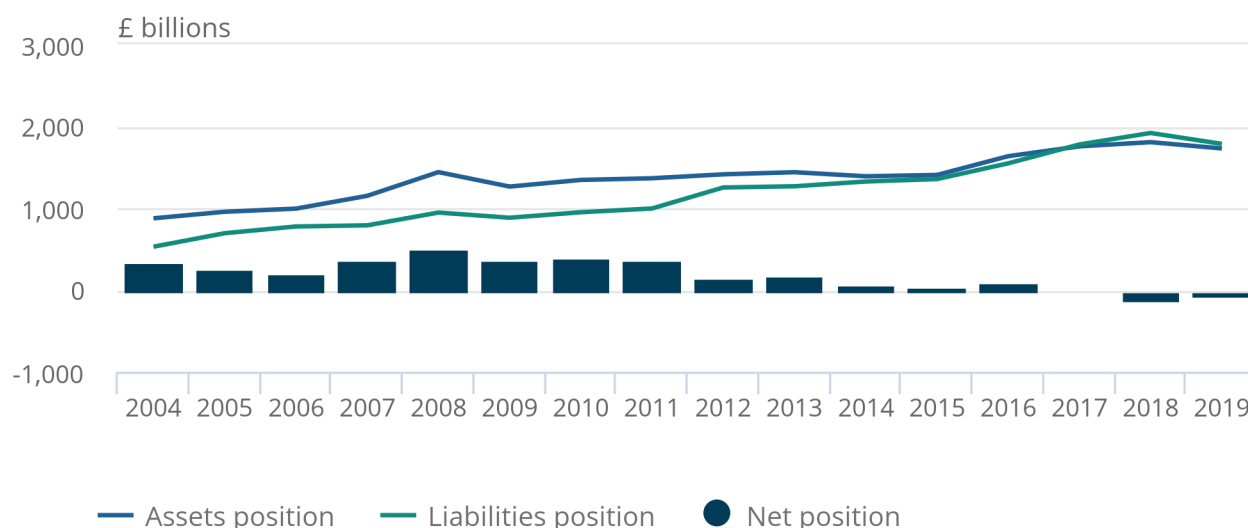
Part of the movement in the FDI surplus has been because of non-residents consistently acquiring UK businesses from 2011 and building their investment in the UK (Figure 11). A larger stock position should, if all else is equal, lead to larger earnings and hence the narrowing of the surplus from 2011 to 2016. The increasing investment into the UK has been to such an extent that the UK has held a net liability position in FDI within the international investment position since 2017.

**Figure 11: The foreign direct investment (FDI) net liability position narrowed slightly in 2019 from the record level observed in 2018**

UK foreign direct investment assets, liabilities and net position, 2004 to 2019

Figure 11: The foreign direct investment (FDI) net liability position narrowed slightly in 2019 from the record level observed in 2018

UK foreign direct investment assets, liabilities and net position, 2004 to 2019



Source: Office for National Statistics – Balance of Payments

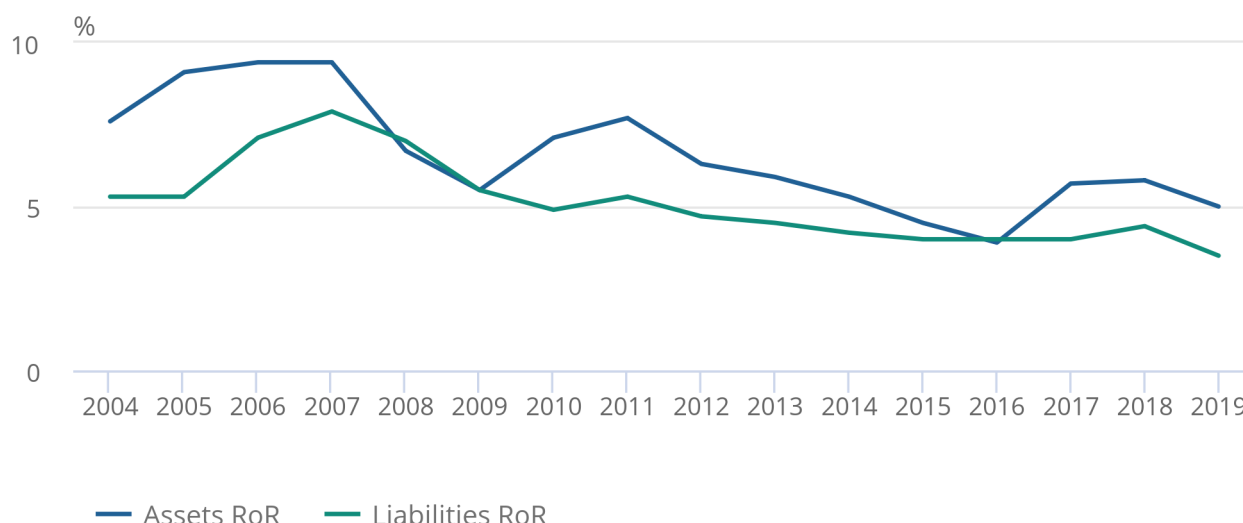
The surplus on income widened in 2017 and 2018 because of FDI credits increasing significantly in 2017 from 2016. The UK has in most years enjoyed a higher rate of return on its FDI investment overseas than FDI investors into the UK, partly explaining the consistent surplus, as shown in Figure 12.

**Figure 12: In most years the UK has a larger rate of return on its foreign direct investment (FDI) assets than the rest of the world has on its FDI in the UK**

UK foreign direct investment assets and liabilities rates of return (RoR), 2004 to 2019

Figure 12: In most years the UK has a larger rate of return on its foreign direct investment (FDI) assets than the rest of the world has on its FDI in the UK

UK foreign direct investment assets and liabilities rates of return (RoR), 2004 to 2019



Source: Office for National Statistics – Balance of Payments

## 6 . Investment geography analysis: where we invest

The rate of return that investors receive on their investment influences investment flows. Usually, investors will be attracted to investments in countries where the rate of return is high, but that is not the only factor that plays into investors' decision-making. Other factors such as how safe the investment is seen to be also influences the decision. Figures 13 and 14 show the rate of return for UK investments abroad and foreign investments in the UK, broken down by continent.

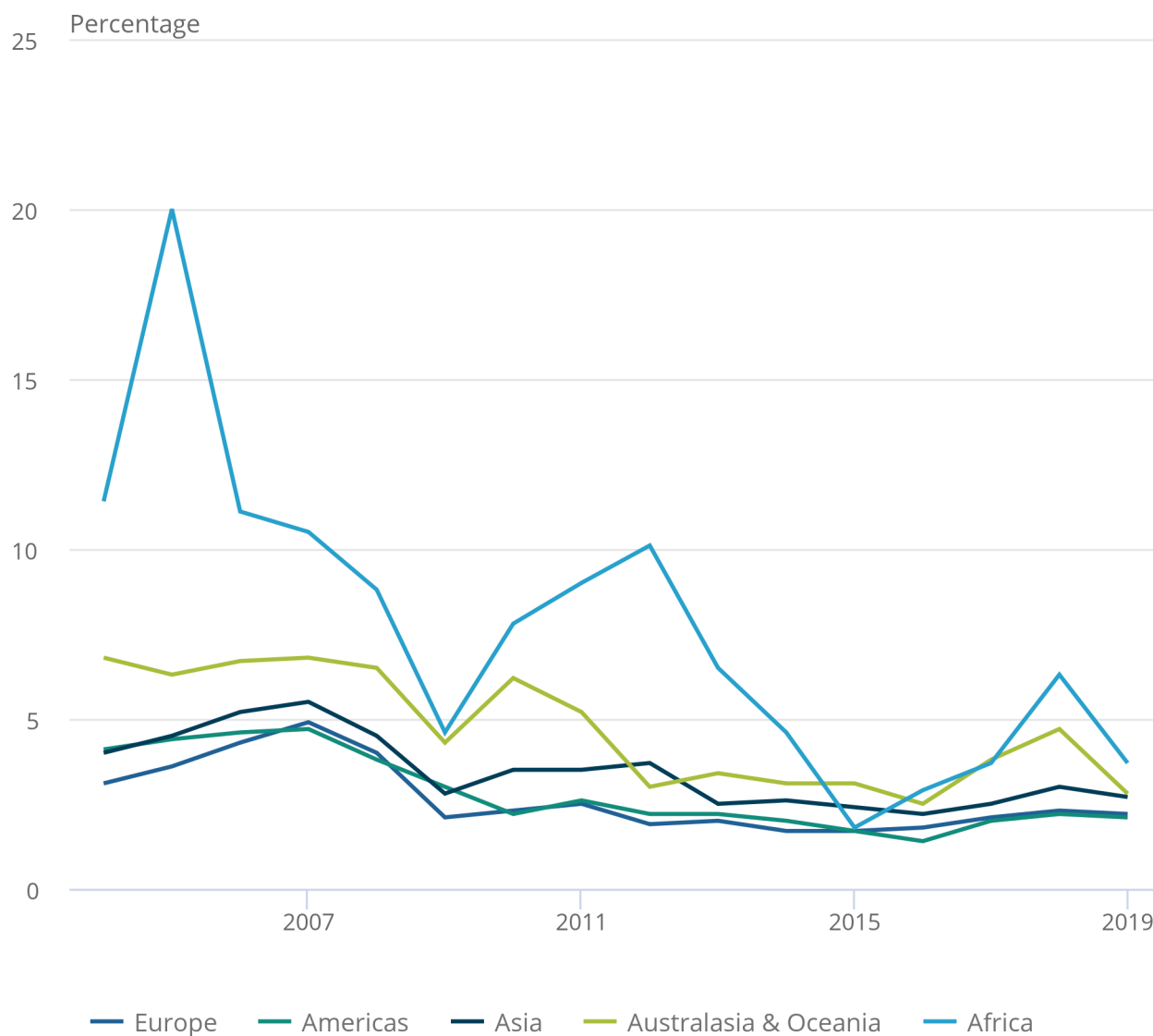
UK investors recorded lower rates of return on their foreign investments in 2019. The largest decreases were seen in Africa, and Australasia and Oceania, which have historically been volatile because of their developing economies and proportion of investments in cyclical industries such as mining. More developed economies continue to provide lower but more stable returns decreasing only slightly, possibly pointing towards a slowing in the world economy.

**Figure 13: UK investors had a lower rate of return on their foreign investments in all geographical regions in 2019**

Rate of return on UK foreign assets by continent, percentage, 2004 to 2019

## Figure 13: UK investors had a lower rate of return on their foreign investments in all geographical regions in 2019

Rate of return on UK foreign assets by continent, percentage, 2004 to 2019



Source: Office for National Statistics – Balance of Payments

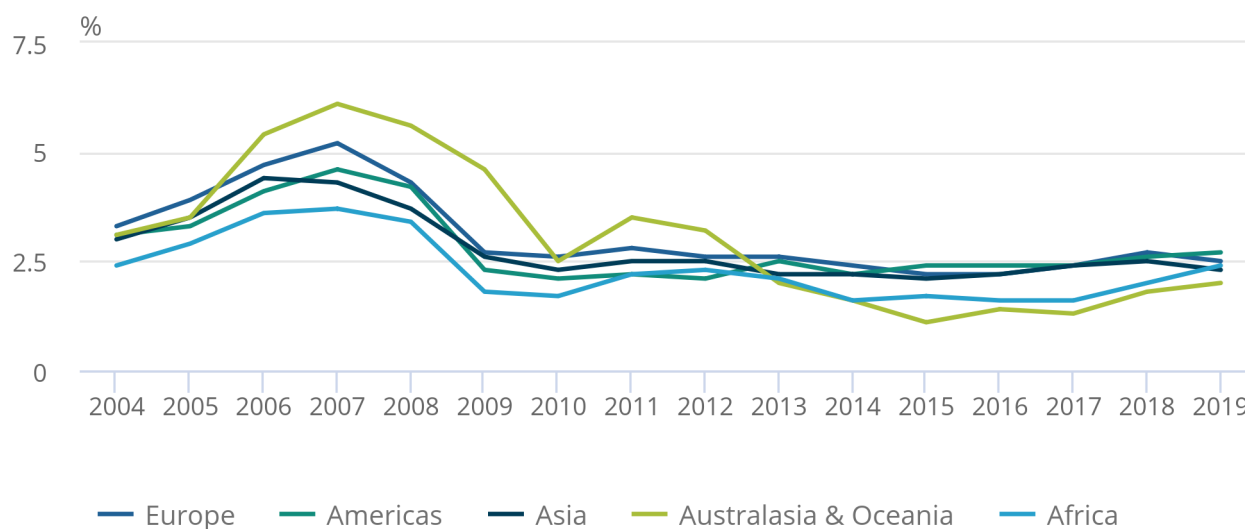
As Figure 9 showed, foreign investors as a whole earned a slightly lower rate of return on their UK investments in 2019. However, investors from the Americas, Australasia and Oceania, and Africa saw an increase in the rate of return on their UK investment in 2019 but not enough to offset the decreases recorded by Europe and Asia.

**Figure 14: Foreign investors in the UK experienced a mixed rate of return during 2019**

Rate of return on UK liabilities by continent, percentage, 2004 to 2019

**Figure 14: Foreign investors in the UK experienced a mixed rate of return during 2019**

Rate of return on UK liabilities by continent, percentage, 2004 to 2019



Source: Office for National Statistics – Balance of Payments

With the majority of investment flows to and from the UK happening with countries in the EU, it is interesting to look at these countries in more detail and see how the breakdown of EU investments has changed over recent years.

Use the interactive map to see how investment stocks have changed with different countries. Simply hover over the country.

## 7 . The UK current account deficit was primarily financed by reducing the stock of foreign assets

The UK has run a current account deficit in each quarter since Quarter 3 (July to Sept) 1998 or, when considering annual totals, 1983.

A current account deficit places the UK as a net borrower with the rest of the world, indicating that overall expenditure in the UK exceeds national income. The UK must attract net financial inflows to finance its current (and capital) account deficit, which can be achieved through either disposing of overseas assets to overseas investors or accruing liabilities with the rest of the world.



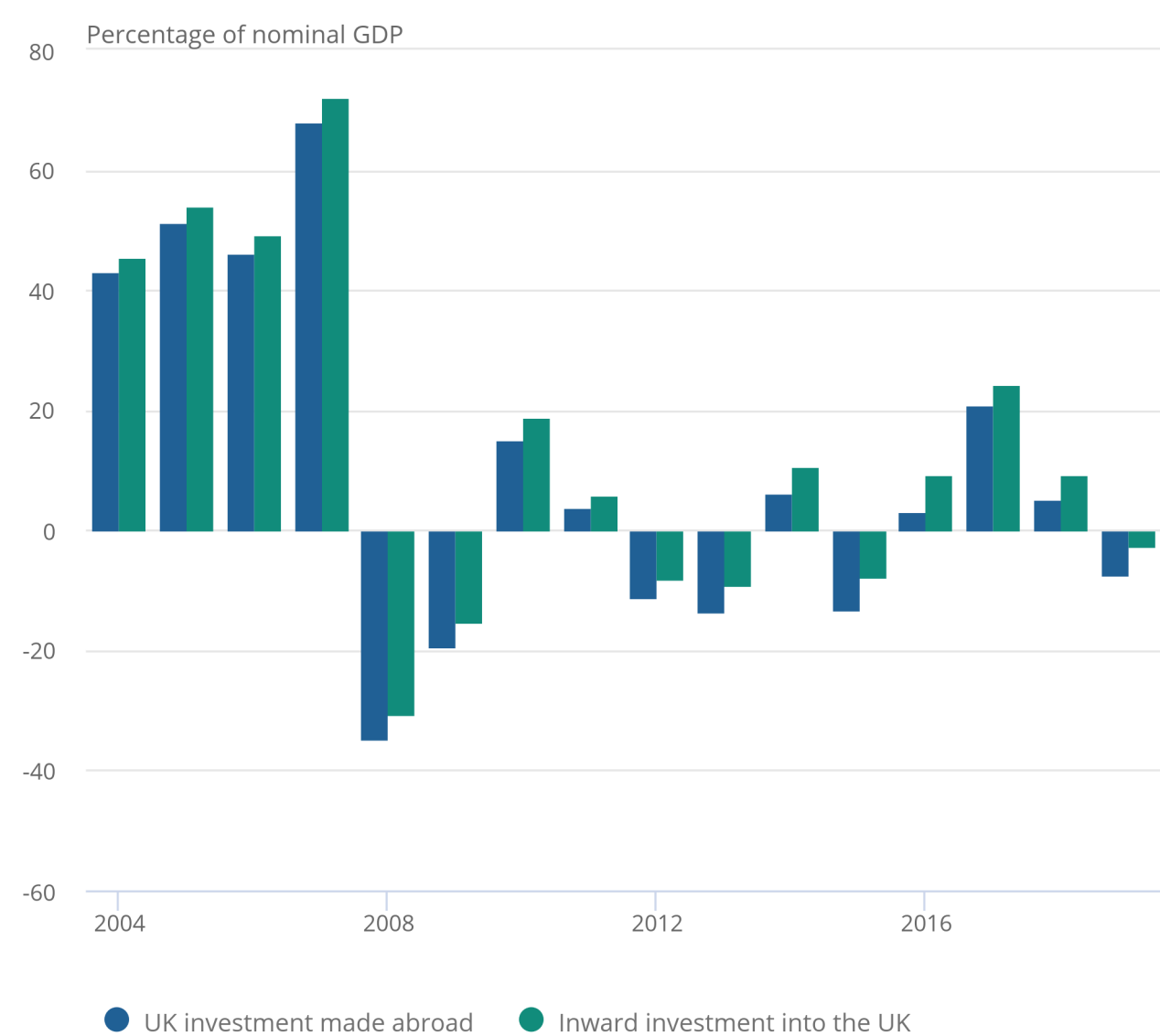
In the years prior to the global financial crisis in 2008 to 2009, the UK funded its current account deficit by incurring more liabilities to non-residents rather than selling existing foreign assets. Since the crisis, Figure 15 shows that total net inward and outward flows are much reduced, and that the UK has in most years been reducing its foreign assets.

**Figure 15: UK residents reduced their foreign assets more than non-residents reduced their UK assets in 2019**

UK inward and outward financial flows as a percentage of nominal GDP, 2004 to 2019

Figure 15: UK residents reduced their foreign assets more than non-residents reduced their UK assets in 2019

UK inward and outward financial flows as a percentage of nominal GDP, 2004 to 2019



Source: Office for National Statistics – Balance of Payments

In 2019, the UK reduced its stock of foreign assets by £165.3 billion (7.5% of gross domestic product (GDP)). This was mostly because of monetary financial institutions reducing their foreign currency deposits overseas and UK businesses drawing on foreign direct investment profits that had not previously been distributed.

Meanwhile, non-residents reduced their UK assets by just £57.8 billion (2.6% of GDP). This was mostly because of UK residents reducing the amount of loans taken out from non-residents.

## **8 . UK international investment position net liability widens mostly because of recovering equity prices in the UK**

The international investment position (IIP) measures the stock of assets and liabilities at the end of period, and is the sum of the opening balance, financial flows and other changes (including price changes, currency changes and so on).

All else remaining the same, the widening in the current account deficit means the UK is more reliant on the rest of the world. This means either incurring net financial liabilities or selling existing assets to finance its borrowing from the rest of the world and therefore the net liability would be expected to widen. However, there can also be revaluation effects and other changes in volume that do not reflect financial flows.

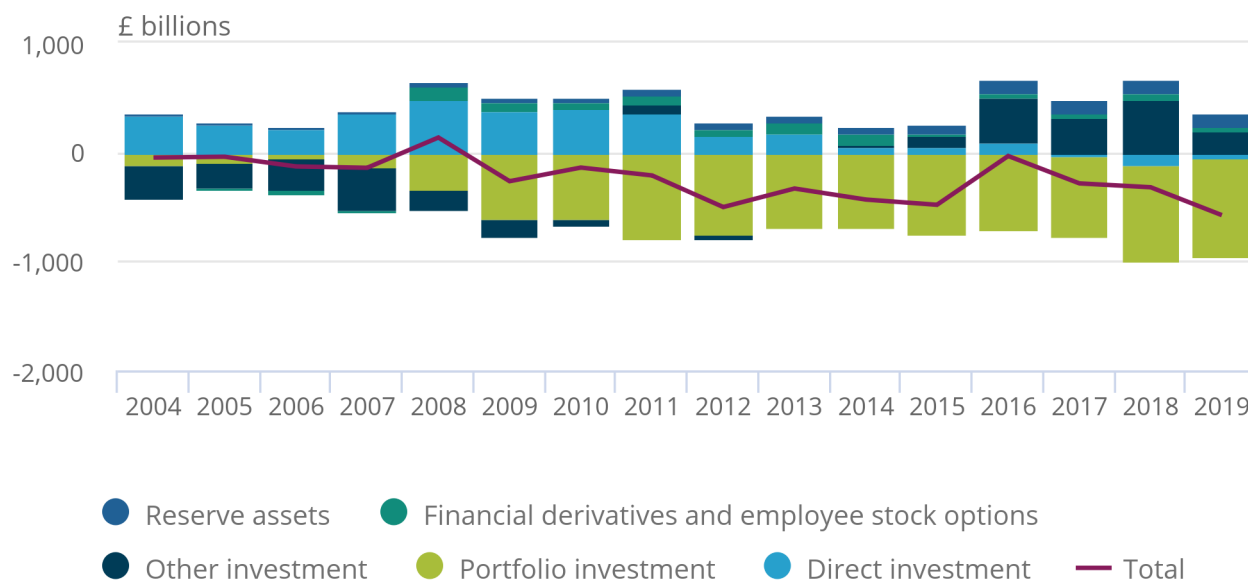
As shown in Figure 16, the net IIP widened in 2019 to £579.1 billion from £323.7 billion in 2018 (equivalent to 26.2% and 15.1% of gross domestic product (GDP) respectively). The widening was because of total liabilities increasing by £316.8 billion to £11,705.0 billion (equivalent to 528.6% GDP) while total assets only increased by £61.3 billion to £11,125.9 billion (equivalent to 502.4% GDP).

**Figure 16: The UK's net liability position increased to £579.1 billion by the end of 2019**

Breakdown of the UK net international investment position, 2004 to 2019

**Figure 16: The UK's net liability position increased to £579.1 billion by the end of 2019**

Breakdown of the UK net international investment position, 2004 to 2019



Source: Office for National Statistics – Balance of Payments

From this point forward when we refer to investments, we use the three main types of investments (direct, portfolio and other) excluding financial derivatives and employee stock options, and reserve assets. This is because it is possible to estimate the impact of both currency and price changes on the three main types of investments.

In most years the financial flows are one of the main factors driving the change in the UK's assets and liabilities. The variations in stock not only reflect the accumulation of new assets and liabilities but also the disposal or revaluation of existing ones and changes in the sterling exchange rate. Changes in exchange rates affect the sterling value of UK assets abroad as they are mainly denominated in foreign currencies. Another factor that could impact upon the revaluation of these assets and liabilities are equity price movements, which can impact on the value not the underlying volume.

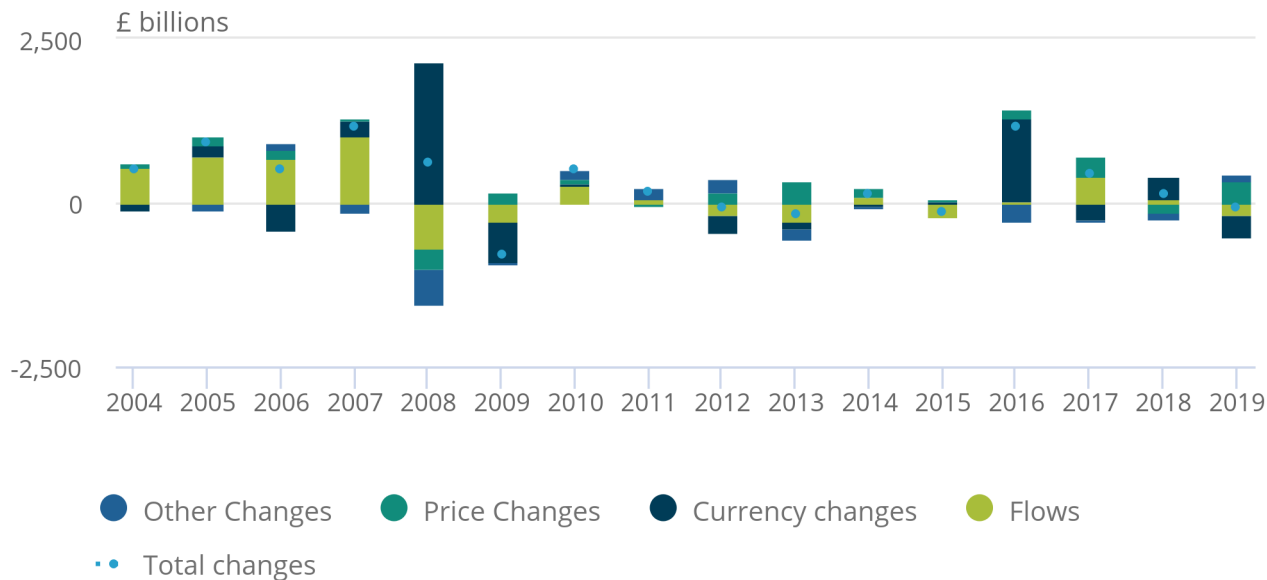
By the end of 2019, the value of UK direct investment, portfolio investment and other investment overseas decreased by £61.6 billion (Figure 17). This was because UK investors disposed of foreign investments to the value of £173.3 billion and the British pound strengthened 5.3% from the end of 2018 against a basket of currencies, leading to currency revaluations reducing foreign-denominated assets by £342.5 billion. Partially offsetting these decreases were positive impacts from price revaluations and other changes in volume of £354.2 billion and £100.0 billion respectively.

**Figure 17: Global stock markets were at record levels at the end of 2019 offsetting the effect of the British pound appreciating against major currencies**

Total annual change in annual UK international investment position assets broken down into impacts, 2004 to 2019

Figure 17: Global stock markets were at record levels at the end of 2019 offsetting the effect of the British pound appreciating against major currencies

Total annual change in annual UK international investment position assets broken down into impacts, 2004 to 2019



Source: Office for National Statistics – Balance of Payments

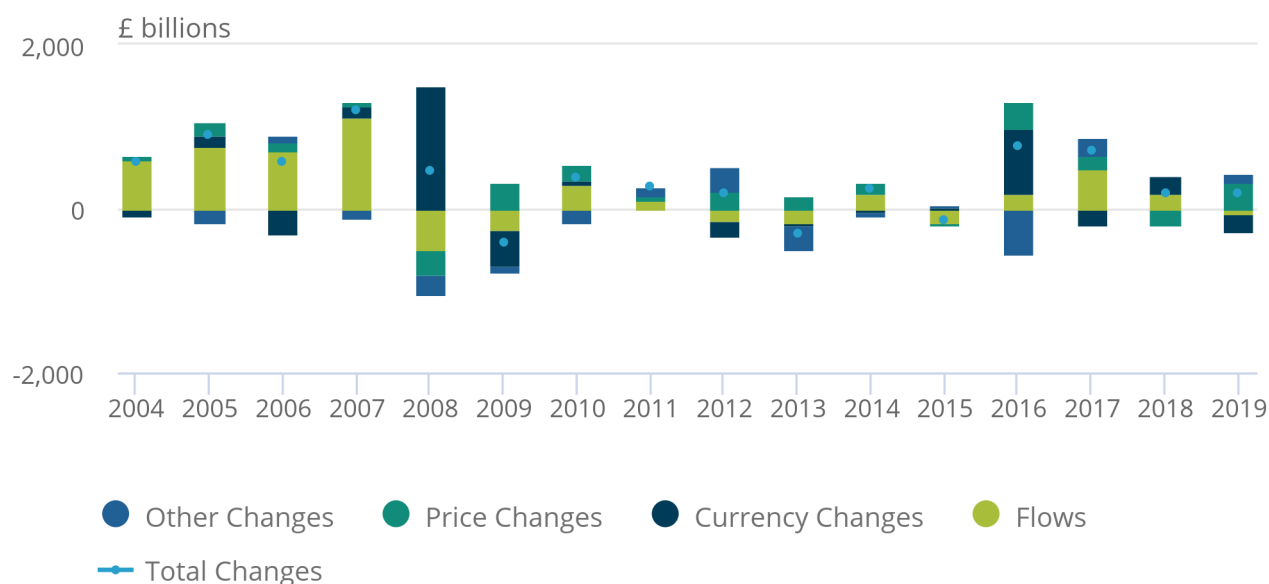
The value of UK liabilities to foreign investors increased by the end of 2019 by £183.1 billion (Figure 18). UK liabilities in direct investment, portfolio investment and other investment increased despite foreign investors disinvesting £57.8 billion. Similar to UK foreign assets, UK liabilities also experienced a negative currency revaluation of £210.4 billion as a substantial amount of foreign currency is deposited with UK monetary financial institutions. Driving the increase in liabilities was a positive price revaluation of £320.3 billion as the UK equity market recovered strongly from a sharp dip at the end of 2018 and other positive changes in volume of £131.1 billion.

**Figure 18: A strong UK equity market increased the value of UK liabilities by the end of 2019**

Total annual change in annual UK international investment position liabilities broken down into impacts, 2004 to 2019

**Figure 18: A strong UK equity market increased the value of UK liabilities by the end of 2019**

Total annual change in annual UK international investment position liabilities broken down into impacts, 2004 to 2019



Source: Office for National Statistics – Balance of Payments

To obtain the exchange rate impact, we have calculated currency changes by calculating sterling exchange rate movements against a basket of currencies. Similarly, price movements are modelled using a combination of stocks and bond indices including end-quarter share prices for the Dow Jones, Euro Stoxx, FT-SE and Nikkei exchanges (for more information see article on [the UK's international investment position, 2016](#)).

## 9 . Balance of payments data

[Balance of payments, The Pink Book](#)

Dataset | Released 30 October 2020

Annual summary of balance of payments accounts including the current account, capital transfers, transactions, and levels of UK external assets and liabilities.

[Balance of payments, The Pink Book time series](#)

Dataset | Released 30 October 2020

Annual summary of balance of payments accounts including the current account, capital transfers, transactions and levels of UK external assets and liabilities.

## 10 . Glossary

## Balance of Payments

The balance of payments is a statistical statement that summarises transactions between residents and non-residents during a period. It consists of the current account, the capital account, and the financial account.

### Current account

The current account is made up of the trade in goods and services account, the primary income account, and secondary income account. The difference in the monetary value of these accounts is known as the current account balance. A current account balance is in surplus if overall credits exceed debits, and it is in deficit if overall debits exceed credits.

### Capital account

The capital account has two components: capital transfers and the acquisition (purchase) or disposal (sale) of non-produced, non-financial assets.

Capital transfers are those involving transfers of ownership of fixed assets, transfers of funds associated with the acquisition or disposal of fixed assets, and cancellation of liabilities by creditors without any counterparts being received in return. The sale or purchase of non-produced, non-financial assets covers intangibles such as patents, copyrights, franchises, leases and other transferable contracts, and goodwill.

### Financial account

The financial account covers transactions that result in a change of ownership of financial assets and liabilities between UK residents and non-residents, for example, the acquisitions and disposals of foreign shares by UK residents. The accounts are presented by the functional categories of direct investment, portfolio investment, other investment, financial derivatives and reserve assets.

### International investment position

The international investment position (IIP) is a statement that shows at the end of the period the value and composition of UK external assets (foreign assets owned by UK residents) and identified UK external liabilities (UK assets owned by foreign residents). The framework of international accounts sets out that the IIP is also presented by functional category, consistent with primary income and the financial account.

### Net errors and omissions

Although the balance of payments accounts are, in principle, balanced, in practice imbalances between the current, capital and financial accounts arise from imperfections in source data and compilation. This imbalance, a usual feature of balance of payments data, is labelled net errors and omissions.

A more detailed [glossary \(PDF, 123KB\)](#) of terms used in the balance of payments is also available.

## 11 . Measuring the data

More quality and methodology information on strengths, limitations, appropriate uses, and how the data were created is available in the [Balance of payments QMI](#).

## After EU withdrawal

As the UK leaves the EU, it is important that our statistics continue to be of high quality and are internationally comparable. During the transition period, those UK statistics that align with EU practice and rules will continue to do so in the same way as before 31 January 2020.

After the transition period, we will continue to produce our UK Balance of Payments statistics in line with the UK Statistics Authority's [Code of Practice for Statistics](#) and in accordance with internationally agreed statistical guidance and standards. This is based on the International Monetary Fund's (IMF's) [Balance of Payments Manual sixth edition \(BPM6\)](#) (PDF, 3.0MB), until those standards are updated.

## Data revision policy

In accordance with [National Accounts Revisions Policy](#), data in this release have been revised back to 1997.

## Data sources

Balance of payments statistics are compiled from a variety of sources, produced in the national accounts Sector and Financial Accounts (SFA) framework. Some of the main sources used in the compilation include:

- Overseas Trade Statistics (HM Revenue and Customs (HMRC))
- International Trade in Services Survey (Office for National Statistics (ONS))
- International Passenger Survey (ONS) - this was suspended from 16 March 2020
- Foreign Direct Investment Survey (ONS and Bank of England (BoE))
- Various financial inquiries (ONS and BoE)
- Ownership of UK Quoted Shares Survey (ONS)

Trade is measured through both exports and imports of goods and services. Data are supplied by over 30 sources including several administrative sources, HMRC being the largest for trade in goods. The International Trade in Services Survey (ITIS) conducted by the ONS is the largest single data source for trade in services.

The main source of information for UK foreign direct investment (FDI) statistics is the Annual FDI Survey; separate surveys are used to collect data on inward and outward FDI. This is combined with data from the BoE for all monetary financial institutions - such as banks - and other sources for property and public corporations in FDI. The statistics in this bulletin are compiled using the asset and liability measurement principle, which uses residency as the main distinction between outward and inward investments. It measures the direct investments of UK-resident companies - both UK parent companies and foreign-owned UK affiliates - with the rest of the world relative to the direct investments of non-UK resident companies held in the UK.

## 12 . Strengths and limitations

More detailed information on the strengths and limitations of the UK balance of payments data is available in the [Balance of payments QMI](#).

## 13 . Related links

### [UK Economic Accounts: all data](#)

Dataset | Released 30 September 2020

This is released at the same time of the UK Balance of Payments and provides supplementary tables for the balance of payments. The UK Economic Accounts also provides users with the perspective of the rest of world looking into the UK.

### [Balance of payments, UK statistical bulletin](#)

Bulletin | Released quarterly

A measure of cross-border transactions between the UK and rest of the world. Includes trade, income, capital transfers and foreign assets and liabilities.

### [National accounts impact articles](#)

Article | Released on 7 September 2020

Once a year, the Office for National Statistics (ONS) implements updated methodologies and/or new data sources to the UK National Accounts. These changes are communicated through these impact articles that detail the changes and their impacts to the accounts.

### [A brief introduction to the UK Balance of Payments \(PDF, 92KB\)](#)

Article

This provides an overview of the concepts and coverage of the UK Balance of Payments using the [Balance of Payments Manual sixth edition \(BPM6\)](#) (PDF, 3.0MB).

### [Understanding the UK's net international investment position](#)

Article | Released on 27 April 2020

Analysis of the impact recent movements in price and exchange rates have had on the valuation of the UK's net international investment position.

### [Movements in foreign exchange rates](#)

Bulletin | Released 31 March 2017

Overview of how these can impact the balance of payments and international investment position (IIP).