

Article

Detailed assessment of changes to institutional sector accounts: 1997 to 2019

An indicative impact of changes to the main non-financial and financial accounts estimates, being introduced when revised figures for the UK National Accounts are published on 30 September 2021.

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1 . Main Points

- Between 1997 and 2019, the UK's net borrowing or lending position has changed on average by 0.01% of gross domestic product (GDP), primarily reflecting revisions to the financial corporations and household sectors.
- Households saw an average revision of negative £6.8 billion to net lending or borrowing from the non-financial account, with revisions as a percentage of GDP ranging from 0.0% to negative 1.1%.
- The household saving ratio has been revised by an average of negative 0.8%.

2 . Methodology improvements impacting institutional sector accounts

This section discusses the largest methodological improvements undertaken in Blue Book 2021 that affect the non-financial and financial accounts.

Some substantial changes were explained in the [Impact of Blue Book 2021 changes on current price and volume estimates of gross domestic product article](#) published on 28 June 2021. These include:

- incorporation of the Financial Services Survey (FSS)
- removal of historic link factors and improvements to household expenditure exhaustiveness
- improvements to trade data
- other improvements affecting non-financial and financial accounts are described in Section 2

Adjustments to debt securities and take on of Wealth and Asset Survey (WAS) data

Before 2017, households (HH) and non-profit institutions serving households (NPISH) were published as one combined sector. However, as part of the introduction of the [European System of Accounting 2010 \(ESA10\)](#), there was a requirement to split out HH and NPISH sectors across the accounts. For Blue Book 21, methods are being introduced to improve the coherence in the calculations of debt securities assets, such as bonds, for these sectors.

Data are being taken on from the Office for National Statistics' (ONS) Wealth and Assets Survey (WAS), for HH's stock holdings of:

- debt securities (for example, bonds) issued by UK government and by UK corporations
- debt securities issued by the rest of the world
- shares issued by the rest of the world
- shares issued by UK mutual funds

Along with improved reconciliation of flows and levels, the WAS change comprises revised data for 2013 to 2015, together with new data for 2016 to 2018, replacing previous projections. Coherence of debt securities for the HH and NPISH sectors has been improved in all periods.

The sectors affected by this change are private non-financial corporations, financial corporations, households, non-profit institutions serving households, and the rest of the world.

Pension funds balance sheet

Pensions are provided by two financial corporations sub-sectors: insurance corporations and pension funds. The main liability of pension funds is in the form of pension schemes' obligations to pay pensions, which are also the pension entitlements (assets) in the HH sector. This is recorded as pension entitlements (AF.63) within the financial balance sheet of both sectors.

Defined contribution (DC) pensions are pensions based on how much is paid into the scheme. They are sometimes called "money purchase" pension schemes. For DC pensions, pension fund liabilities are, by definition, equal to their assets. From Blue Book 2021, the new [Financial Survey of Pension Schemes](#) (FSPS) will be the data source used to calculate the DC element of pension entitlements in pension funds. The FSPS data provides an improved coverage of DC pensions, as it includes DC parts of hybrid schemes and very small schemes, unlike [the Pension Regulator's \(TPR\) publication DC Trust](#) which is currently used to compile these liabilities. FSPS data will be used for 2019 onwards, with a revised historical series back to 1997.

The sectors affected by this change are financial corporations, households, private non-financial corporations, and non-profit institutions serving households.

Multilateral development banks

The UK subscribes to a number of multilateral development banks (MDBs). These are international institutions, created by groups of countries to provide finance and advice with development goals. Membership includes both donor and beneficiary countries, with the UK typically performing a donor role.

When it was introduced, the [ESA10 Manual on Government Deficit and Debt](#) offered new guidance on the treatment of payments by national governments into these organisations. For some types of payment this differs from the treatment previously adopted in the UK.

Following a recommendation by the ONS's Economic Statistics Classification Committee, it was decided that the ONS should re-classify some payments to MDBs from "Other equity" to "Other capital transfers payable".

The sectors affected by this change are central government, financial corporations, households, non-profit institutions serving households, and the rest of the world.

Reinstatement of Blue Book 2019 change to the income of quasi-corporations

In Blue Book 2019, a new method was introduced for the financial corporations' (FINCOS) uses and household resources of withdrawals from income of quasi-corporations (D.422) data. This method better reflected the value of gross operating surplus attributed to partnerships in FINCOS and, ultimately, paid back to households as the owners of financial partnerships. During our Blue Book 2020 processing, this new method was effectively reversed because of operational issues.

For Blue Book 2021, we are re-introducing the method first introduced in Blue Book 2019. The reversion means an upward revision to households' real household disposable income, saving ratio and net lending and borrowing, with the opposite impact to FINCOS' net lending and borrowing.

Other changes not elsewhere classified

In this article, there are several other improvements that have not been individually identified. A more complete list of changes were described in [Impact of Blue Book 2021 changes on current price and volume estimates of gross domestic product article](#) published on 28 June 2021.

In the latter periods, updated data sources can be the cause of revisions that outweigh individual methodological improvements that have also been implemented. This can lead to larger revisions in this “open” period, which for Blue Book 2021 is from 2017 onwards. In some instances, it can lead to a reversal in the direction of the overall revision.

Selected updated data sources for the Blue Book “open” period

HMRC Pay as you earn (PAYE) data

- Primary affected sector: households
- Affected transaction(s): wages and salaries (D11)
- Affected account: non-financial account

HMRC self-assessment data

- Primary affected sector: households
- Affected transaction(s): mixed income (B3g)
- Affected account: non-financial account

Annual Business Survey retail sales estimates

- Primary affected sector: households
- Affected transaction(s): household final consumption expenditure (P3)
- Affected account: non-financial account

ONS estimates of Financial Intermediation Services Indirectly Measured (FISIM)

- Primary affected sector: households
- Affected transaction(s): household final consumption expenditure (P3)
- Affected account: non-financial account

Corporation and income tax accruals

- Primary affected sector: financial corporations, households and private non-financial corporations
- Affected transaction(s): other accounts receivable/payable excluding trade credits and advances (F89)
- Affected account: financial account

Markit iBoxx, Bloomberg

- Primary affected sector: rest of the world, financial corporations, private non-financial corporations
- Affected transaction(s): medium- and long-term bonds issued by UK MFIs and other residents (F32N56)
- Affected account: financial account and non-financial account

Foreign direct investment (FDI) benchmark data

- Primary affected sector: rest of the world, private non-financial corporations, financial corporations, households, NPISH
- Affected transaction(s): loans (F4) and equity (F5)
- Affected account: financial account and non-financial account

Wealth and Assets Survey

- Primary affected sector: rest of the world, private non-financial corporations, financial corporations, households, NPISH
- Affected transaction(s): rest of the world shares and other equity (F519N92)
- Affected account: financial account

3 . Indicative impact on the institutional sector accounts

This section sets out the estimates for the average indicative impact between 1997 and 2019 of all improvements introduced this year.

Impact on net lending/borrowing

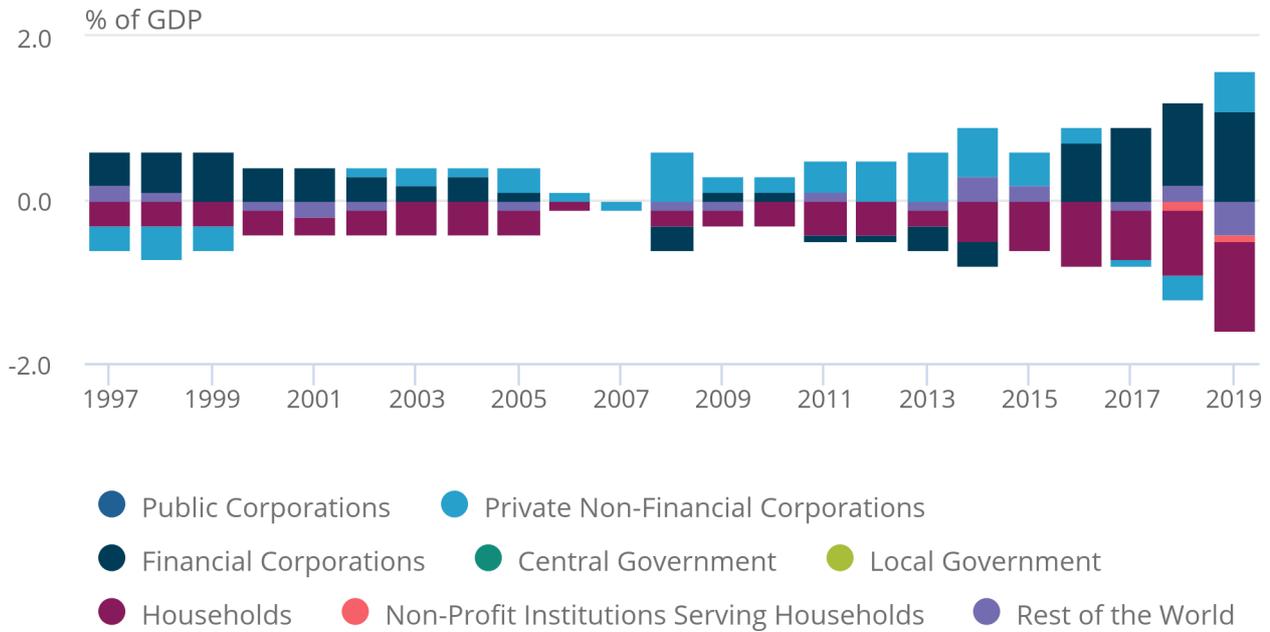
Figure 1 shows the impact on net lending and borrowing as a percentage of GDP. Revisions to the financial corporation and household sectors are the largest drivers of change, averaging revisions of 0.3% and negative 0.4% respectively between 1997 and 2019.

Figure 1: The largest impacts to net lending and borrowing positions as a percentage of GDP were because of revisions to financial corporations, households and central government

UK, 1997 to 2019

Figure 1: The largest impacts to net lending and borrowing positions as a percentage of GDP were because of revisions to financial corporations, households and central government

UK, 1997 to 2019



Source: Office for National Statistics

Table 1 sets out the indicative nominal average impact of the changes on the non-financial accounts.

Table 1: Latest indicative average impact of the changes to the net lending or net borrowing for the UK sector's non-financial account
UK, 1997 to 2019

Sector	£billion		% of GDP			
	Methodological changes	Data revisions separate to methodological changes	Indicative average revision to net lending (+) or borrowing (B. 9N)	Indicative average revision to net lending (+) or borrowing (B. 9N)	Largest downward revision to net lending (+) or borrowing (B. 9N)	Largest upward revision to net lending (+) or borrowing (B. 9N)
Public corporations	+0.0	+0.0	+0.0	+0.0	-0.0	+0.0
Private non-financial corporations	+90.1	-23.7	+2.9	+0.2	-0.4	+0.6
Financial corporations	+96.1	+8.0	+4.5	+0.3	-0.3	+1.2
Central government	-2.5	+1.2	-0.1	-0.0	-0.0	+0.0
Local government	0.0	-0.6	-0.0	-0.0	-0.0	+0.0
Households	-109	-48.3	-6.8	-0.4	-1.1	+0.0
Non-profit institutions serving households (NPISH)	-3.8	-3.2	-0.3	+0.0	-0.1	+0.0
Rest of the world	-17.5	+16.8	-0.0	-0.0	-0.4	+0.3

Source: Office for National Statistics

Impact on the household saving ratio and gross disposable household income (GDHI)

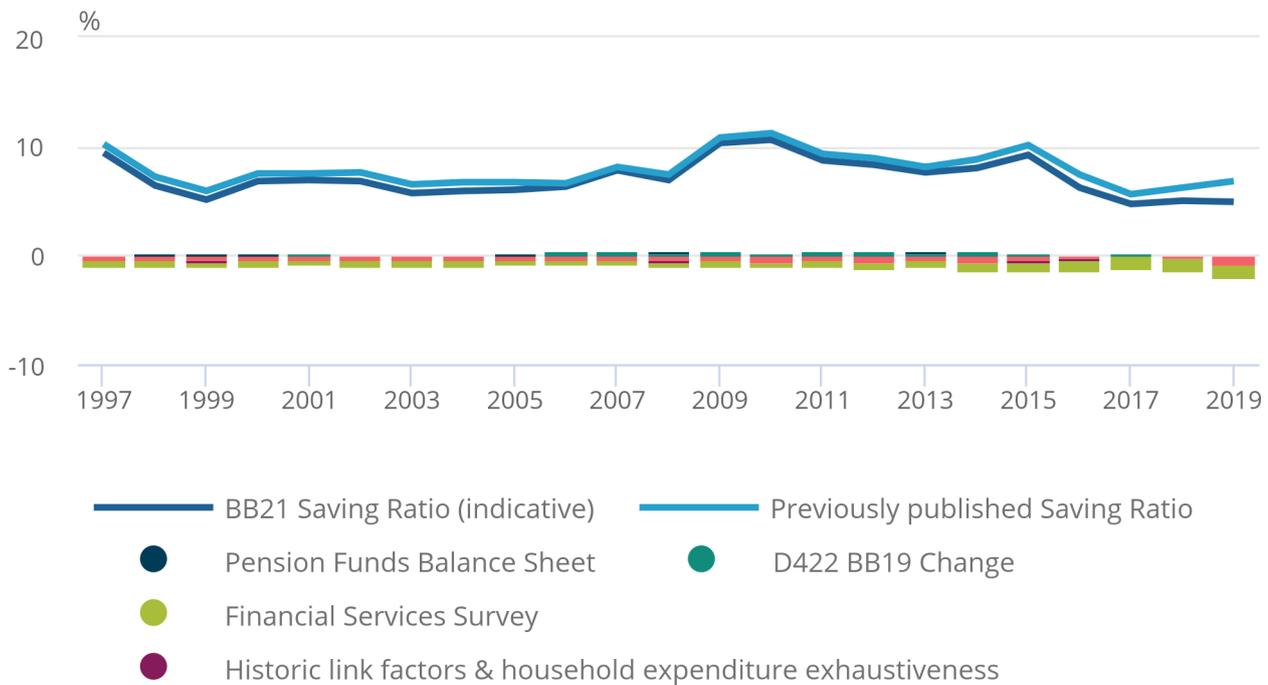
Figure 2 shows the indicative revisions of the household saving ratio in Blue Book 2021. The saving ratio has been revised downwards by an average of 0.8%, with the largest single driver being the incorporation of Financial Services Survey data. Revisions to the saving ratio range from negative 0.3% to negative 1.9%.

Figure 2: Indicative impact to households saving ratio

UK, 1997 to 2019

Figure 2: Indicative impact to households saving ratio

UK, 1997 to 2019



Source: Office for National Statistics

GDHI has been revised by an average of negative £0.4 billion, with the largest driver being the removal of historic link factors and improvements to household expenditure exhaustiveness change.

4 . Indicative impacts on net lending/borrowing by sector

Not all sectors' indicative impacts have been included as there were no or very small revisions. Sectors not included in this section are available upon request.

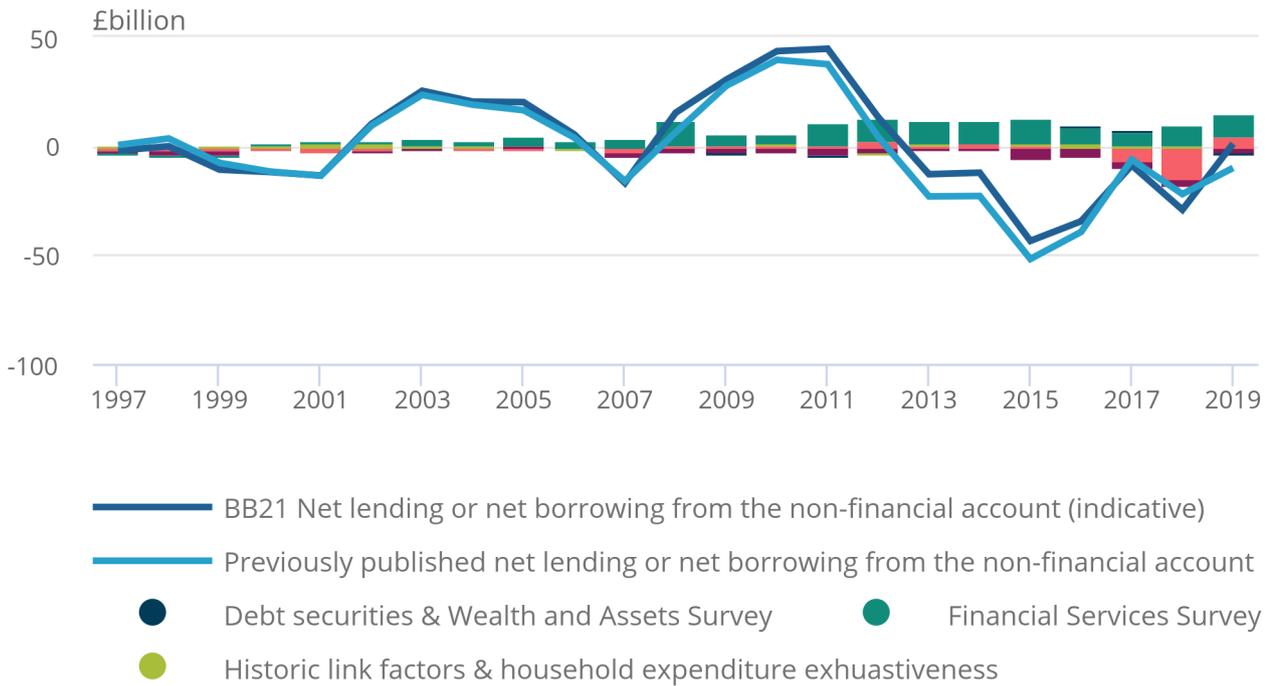
Private non-financial corporations

Figure 3: The average revision to private non-financial corporations' net lending or net borrowing is positive £2.9 billion, mainly driven by incorporation of Financial Services Survey data

Private non-financial corporations' net lending or net borrowing from the non-financial account, UK, 1997 to 2019

Figure 3: The average revision to private non-financial corporations' net lending or net borrowing is positive £2.9 billion, mainly driven by incorporation of Financial Services Survey data

Private non-financial corporations' net lending or net borrowing from the non-financial account, UK, 1997 to 2019



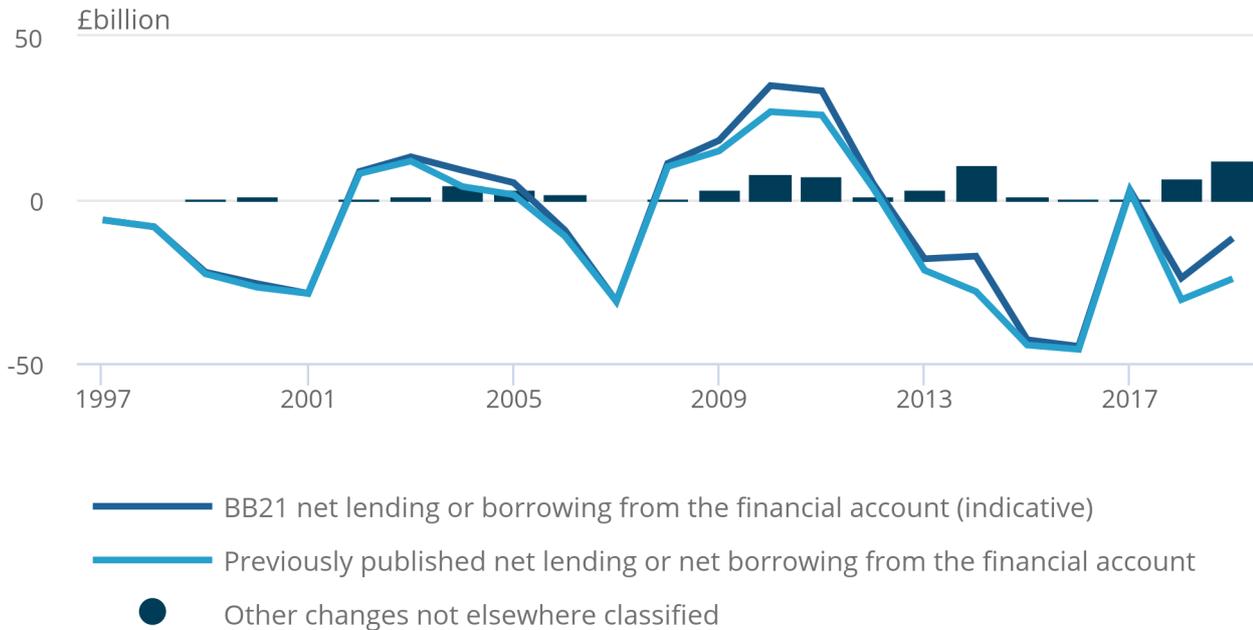
Source: Office for National Statistics

Figure 4: The average revision to private non-financial corporations' net lending or net borrowing is positive £3.1 billion, mainly driven by the take on of new source data from 2018 onwards

Private non-financial corporations' net lending or net borrowing from the financial account, UK, 1997 to 2019

Figure 4: The average revision to private non-financial corporations' net lending or net borrowing is positive £3.1 billion, mainly driven by the take on of new source data from 2018 onwards

Private non-financial corporations' net lending or net borrowing from the financial account, UK, 1997 to 2019



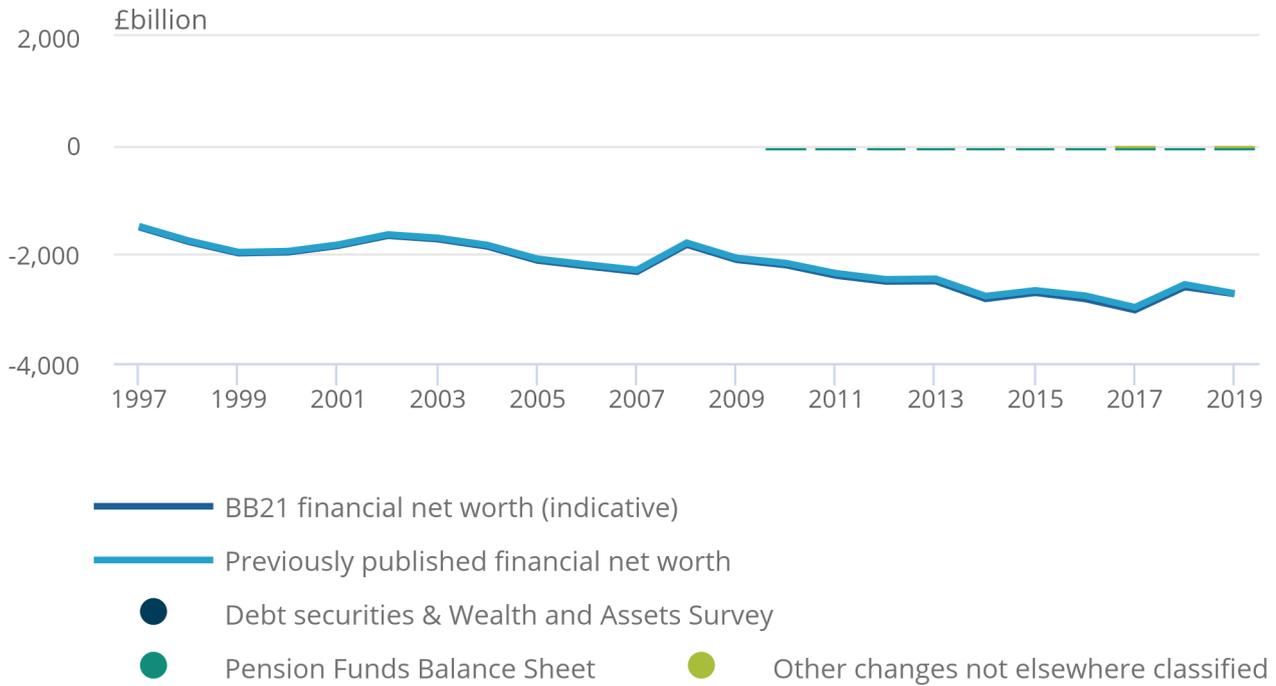
Source: Office for National Statistics

Figure 5: The average revision to private non-financial corporations' financial net worth is negative £32.4 billion, mainly driven by the pension funds balance sheet change

Private non-financial corporations' financial net worth, UK, 1997 to 2019

Figure 5: The average revision to private non-financial corporations' financial net worth is negative £32.4 billion, mainly driven by the pension funds balance sheet change

Private non-financial corporations' financial net worth, UK, 1997 to 2019



Source: Office for National Statistics

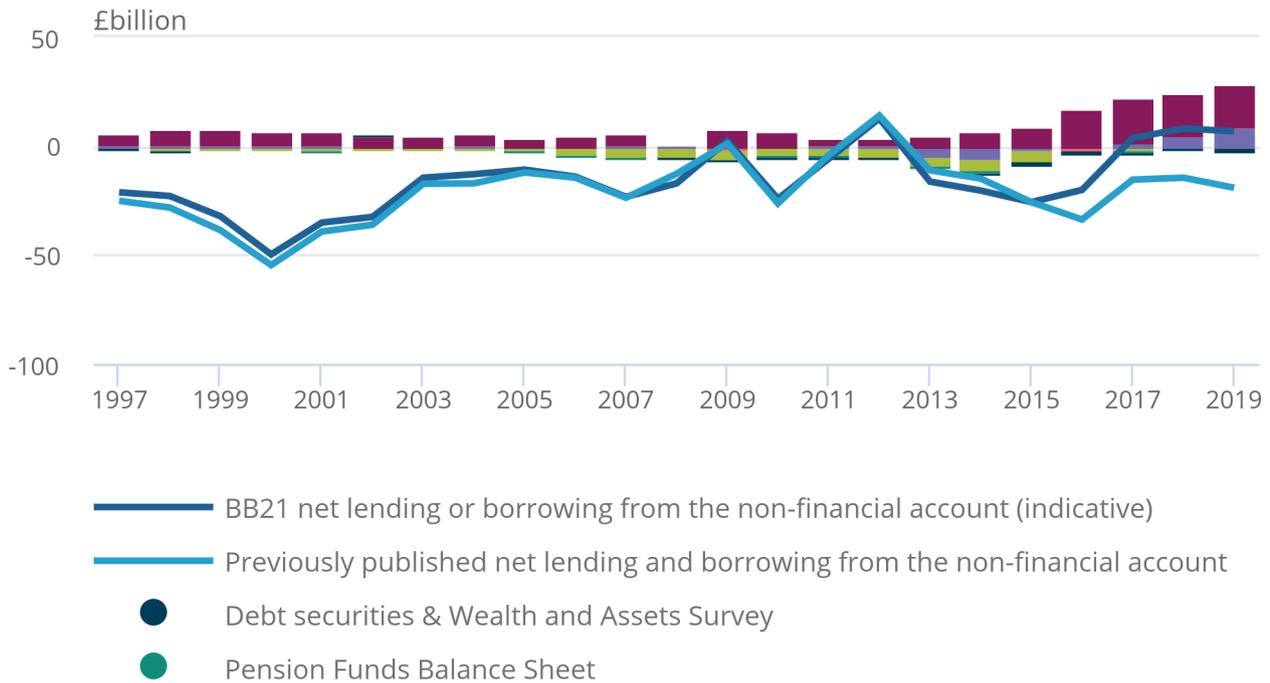
Financial Corporations

Figure 6: The average revision to financial corporations' net lending or net borrowing is positive £4.5 billion, mainly driven by incorporation of Financial Services Survey data

Financial corporations' net lending or net borrowing from the non-financial account, UK, 1997 to 2019

Figure 6: The average revision to financial corporations' net lending or net borrowing is positive £4.5 billion, mainly driven by incorporation of Financial Services Survey data

Financial corporations' net lending or net borrowing from the non-financial account, UK, 1997 to 2019



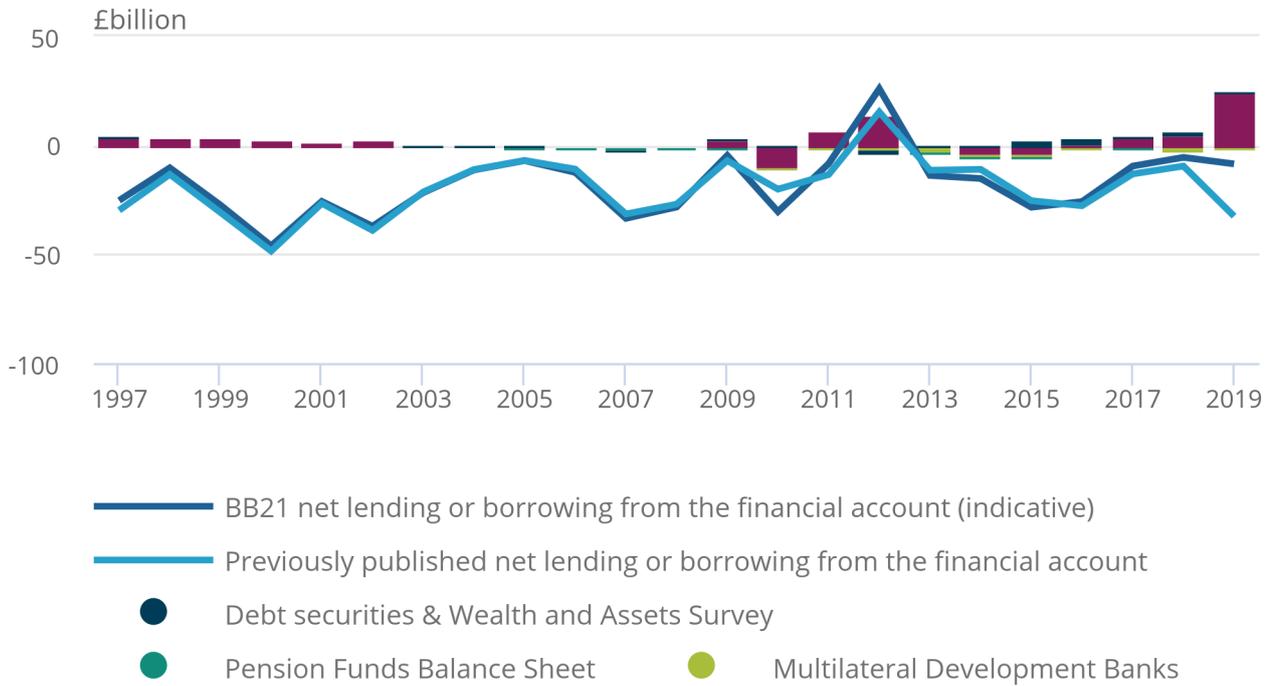
Source: Office for National Statistics

Figure 7: The average revision to financial corporations' net lending or net borrowing is positive £1.8 billion, mainly driven by the take on of new source data from 2018 onwards

Financial corporations' net lending or net borrowing from the financial account, UK, 1997 to 2019

Figure 7: The average revision to financial corporations' net lending or net borrowing is positive £1.8 billion, mainly driven by the take on of new source data from 2018 onwards

Financial corporations' net lending or net borrowing from the financial account, UK, 1997 to 2019



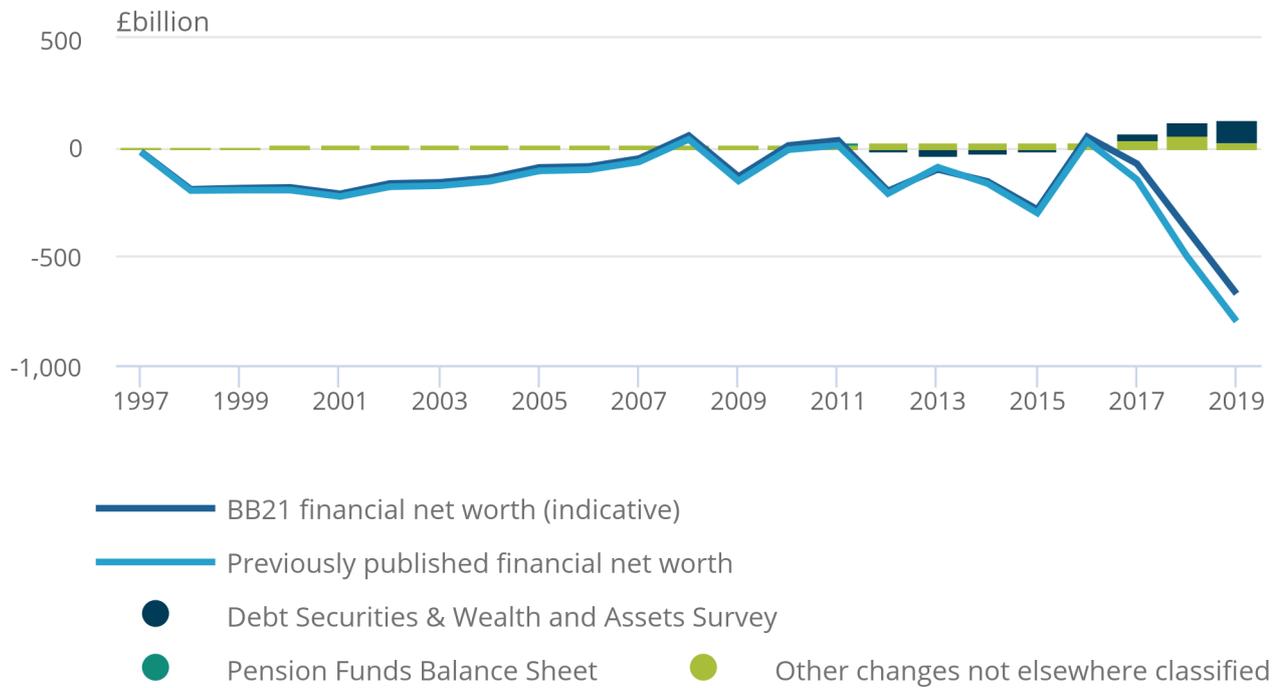
Source: Office for National Statistics

Figure 8: The average revision to financial corporations' financial net worth is positive £25.4 billion, mainly driven by the take on of new source data from 2017 onwards

Financial corporations' financial net worth, UK, 1997 to 2019

Figure 8: The average revision to financial corporations' financial net worth is positive £25.4 billion, mainly driven by the take on of new source data from 2017 onwards

Financial corporations' financial net worth, UK, 1997 to 2019



Source: Office for National Statistics

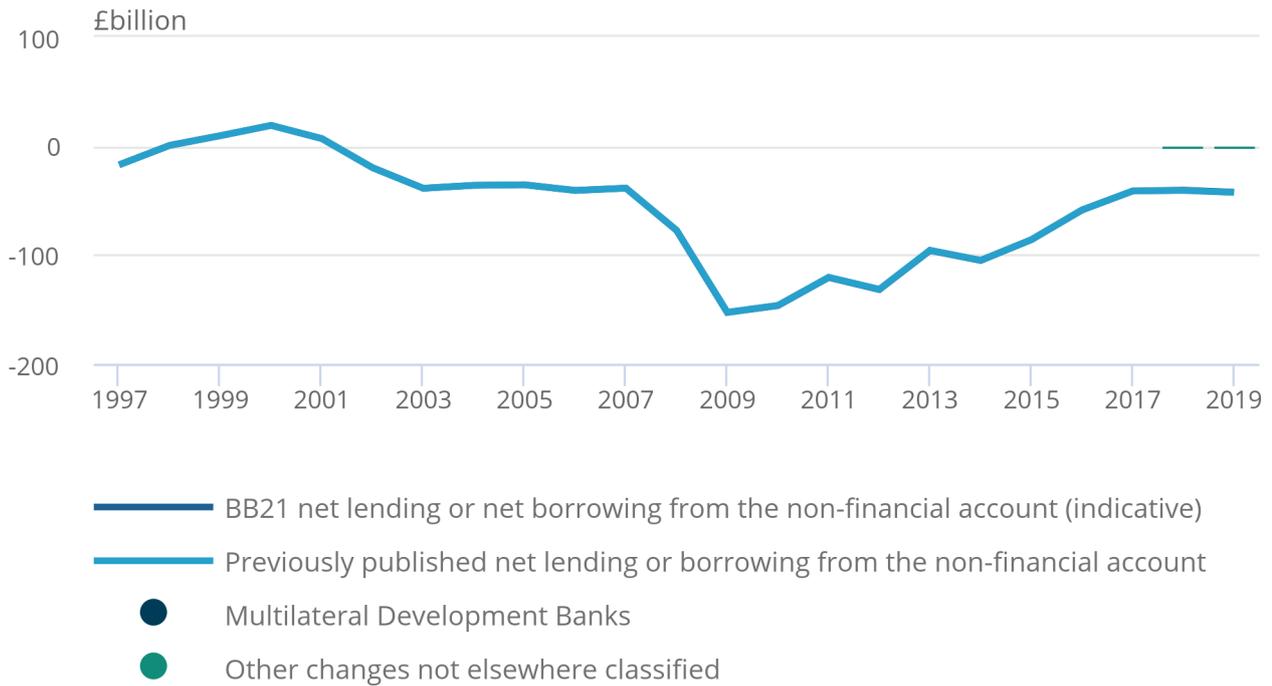
Central Government

Figure 9: The average revision to central government net lending or net borrowing is negative £0.1 billion, mainly driven by multilateral development banks

Central government net lending or net borrowing from the non-financial account, UK, 1997 to 2019

Figure 9: The average revision to central government net lending or net borrowing is negative £0.1 billion, mainly driven by multilateral development banks

Central government net lending or net borrowing from the non-financial account, UK, 1997 to 2019



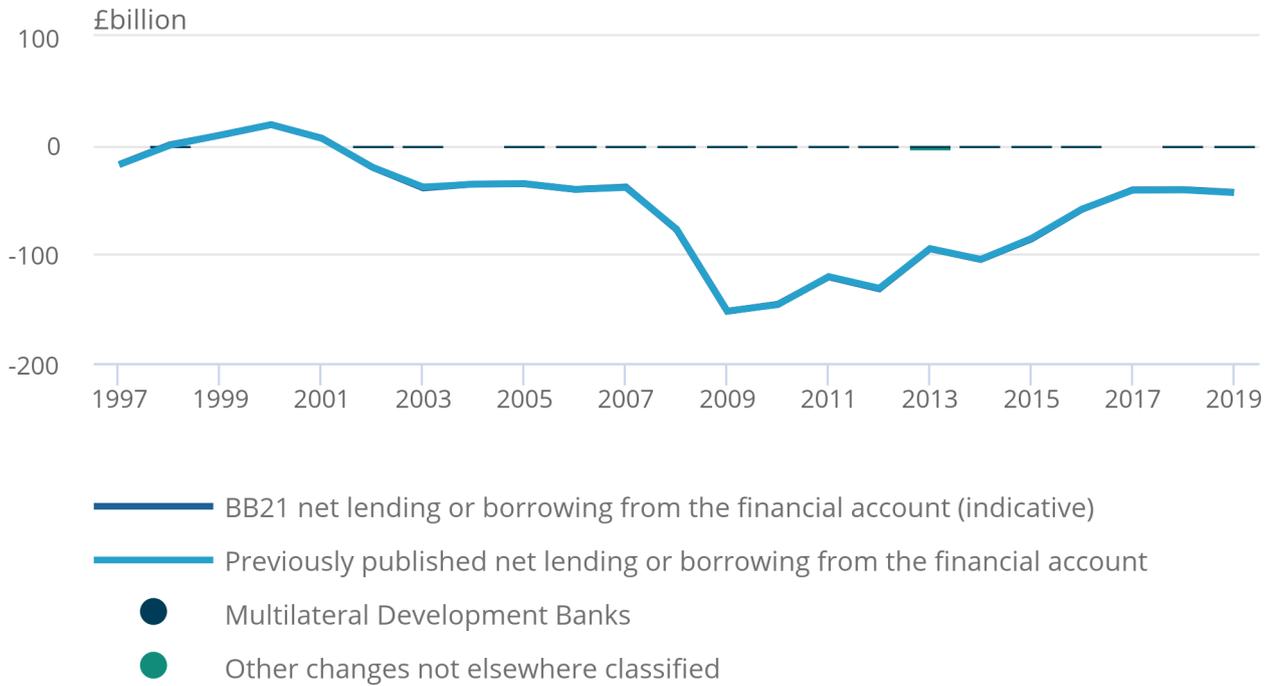
Source: Office for National Statistics

Figure 10: The average revision to central government net lending or net borrowing is negative £0.1 billion, mainly driven by multilateral development banks

Central government net lending or net borrowing from the financial account, UK, 1997 to 2019

Figure 10: The average revision to central government net lending or net borrowing is negative £0.1 billion, mainly driven by multilateral development banks

Central government net lending or net borrowing from the financial account, UK, 1997 to 2019



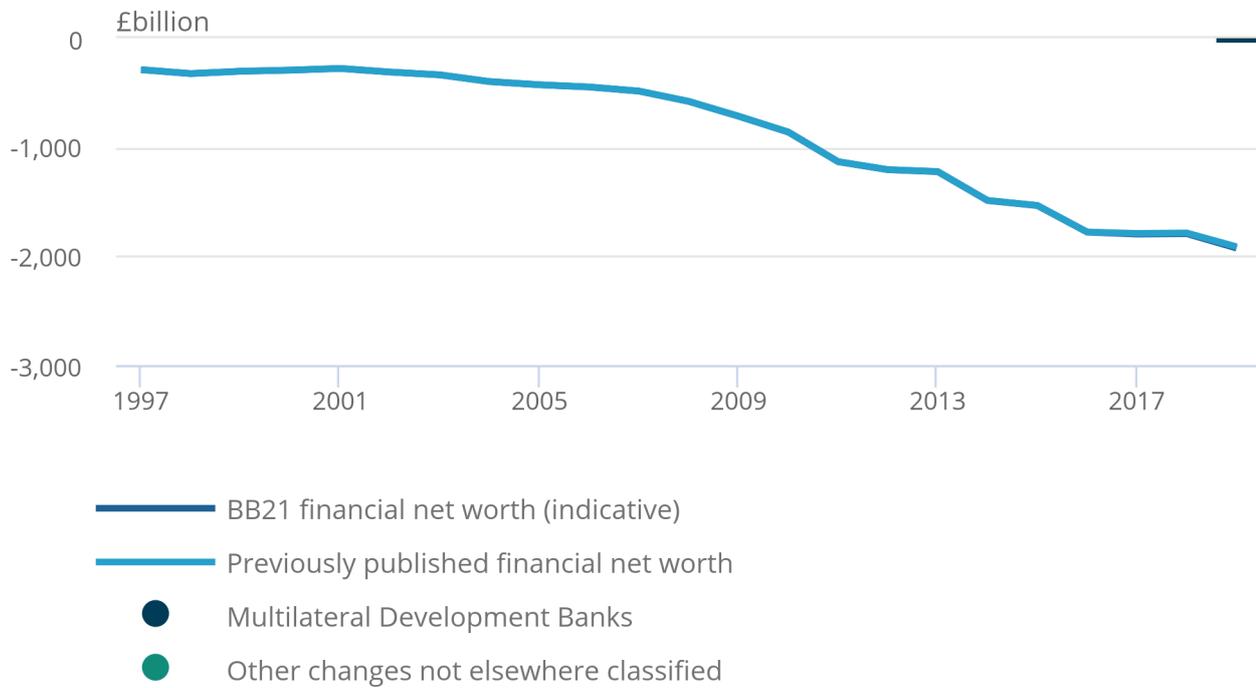
Source: Office for National Statistics

Figure 11: The average revision to central government financial net worth is negative £1.6 billion, mainly driven by multilateral development banks

Central government financial net worth, UK, 1997 to 2019

Figure 11: The average revision to central government financial net worth is negative £1.6 billion, mainly driven by multilateral development banks

Central government financial net worth, UK, 1997 to 2019



Source: Office for National Statistics

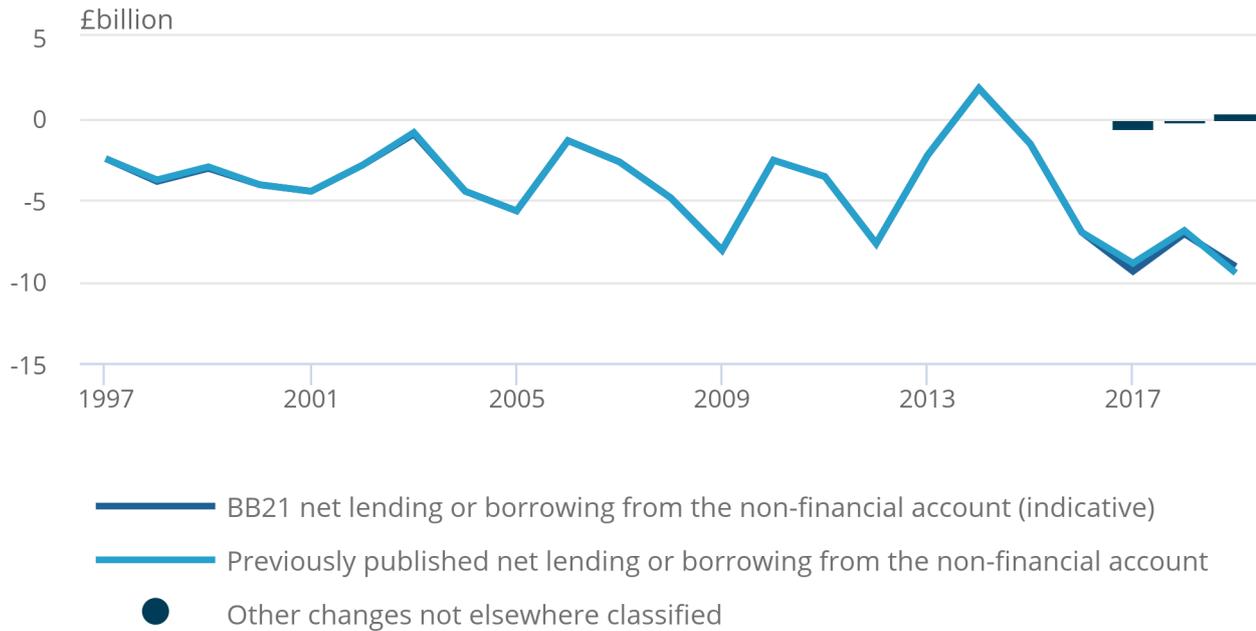
Local Government

Figure 12: The average revision to local government net lending or net borrowing is negative £0.0 billion

Local government net lending or net borrowing from the non-financial account, UK, 1997 to 2019

Figure 12: The average revision to local government net lending or net borrowing is negative £0.0 billion

Local government net lending or net borrowing from the non-financial account, UK, 1997 to 2019



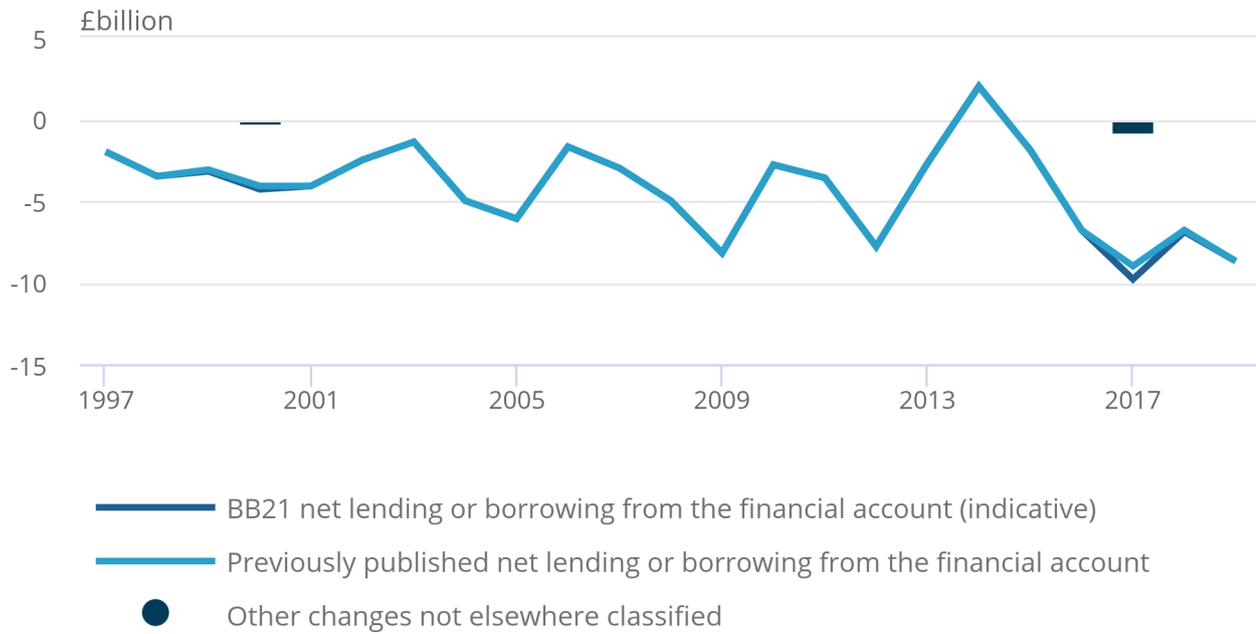
Source: Office for National Statistics

Figure 13: The average revision to local government net lending or net borrowing is negative £0.0 billion

Local government net lending or net borrowing from the financial account, UK, 1997 to 2019

Figure 13: The average revision to local government net lending or net borrowing is negative £0.0 billion

Local government net lending or net borrowing from the financial account, UK, 1997 to 2019



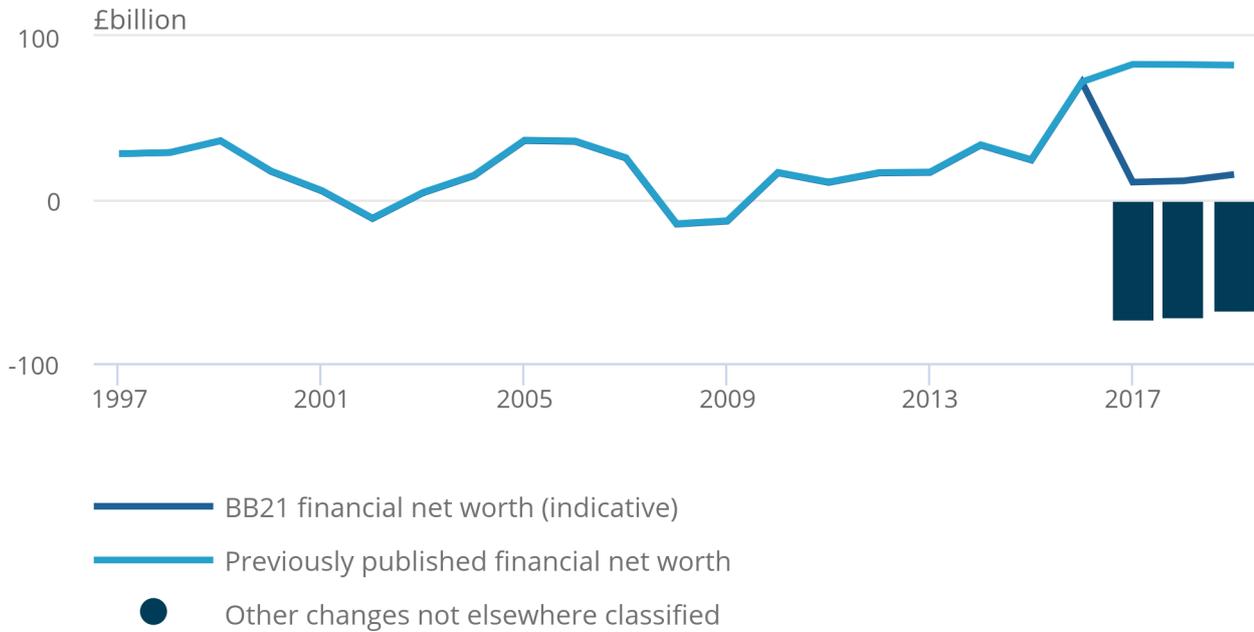
Source: Office for National Statistics

Figure 14: The average revision to local government financial net worth is negative £9.4 billion, mainly driven by the take on of new pensions source data from 2017 onwards

Local government financial net worth, UK, 1997 to 2019

Figure 14: The average revision to local government financial net worth is negative £9.4 billion, mainly driven by the take on of new pensions source data from 2017 onwards

Local government financial net worth, UK, 1997 to 2019



Source: Office for National Statistics

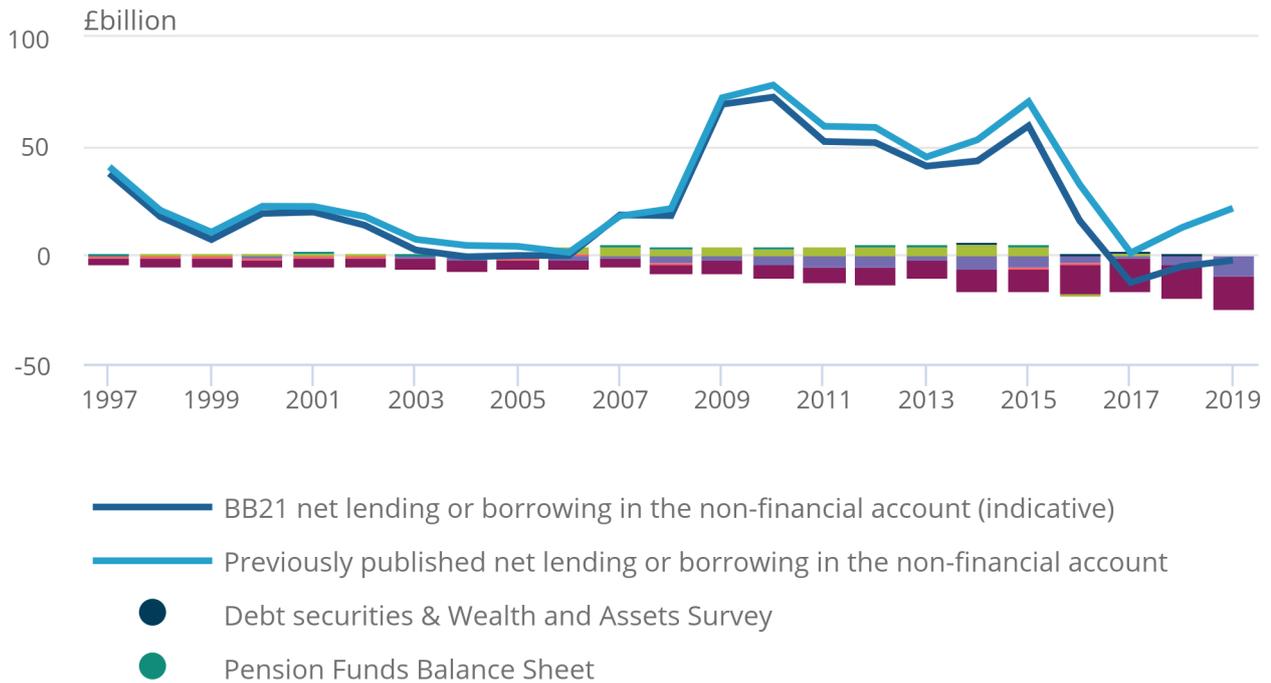
Households

Figure 15: The average revision to households' net lending or net borrowing is negative £6.8 billion, mainly driven by incorporation of Financial Services Survey data

Households net lending or net borrowing from the non-financial account, UK, 1997 to 2019

Figure 15: The average revision to households' net lending or net borrowing is negative £6.8 billion, mainly driven by incorporation of Financial Services Survey data

Households net lending or net borrowing from the non-financial account, UK, 1997 to 2019



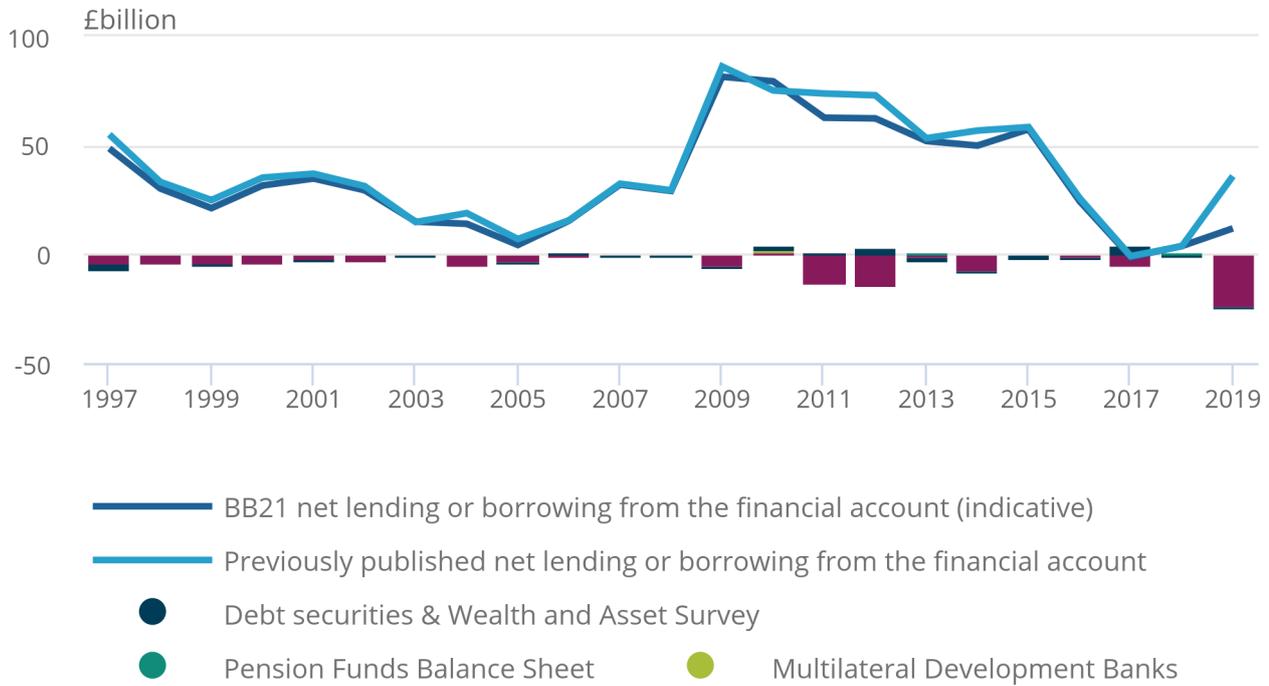
Source: Office for National Statistics

Figure 16: The average revision to households' net lending or net borrowing is negative £3.7 billion, mainly driven by the take on of new source data in 2019

Households net lending or net borrowing from the non-financial account, UK, 1997 to 2019

Figure 16: The average revision to households' net lending or net borrowing is negative £3.7 billion, mainly driven by the take on of new source data in 2019

Households net lending or net borrowing from the non-financial account, UK, 1997 to 2019



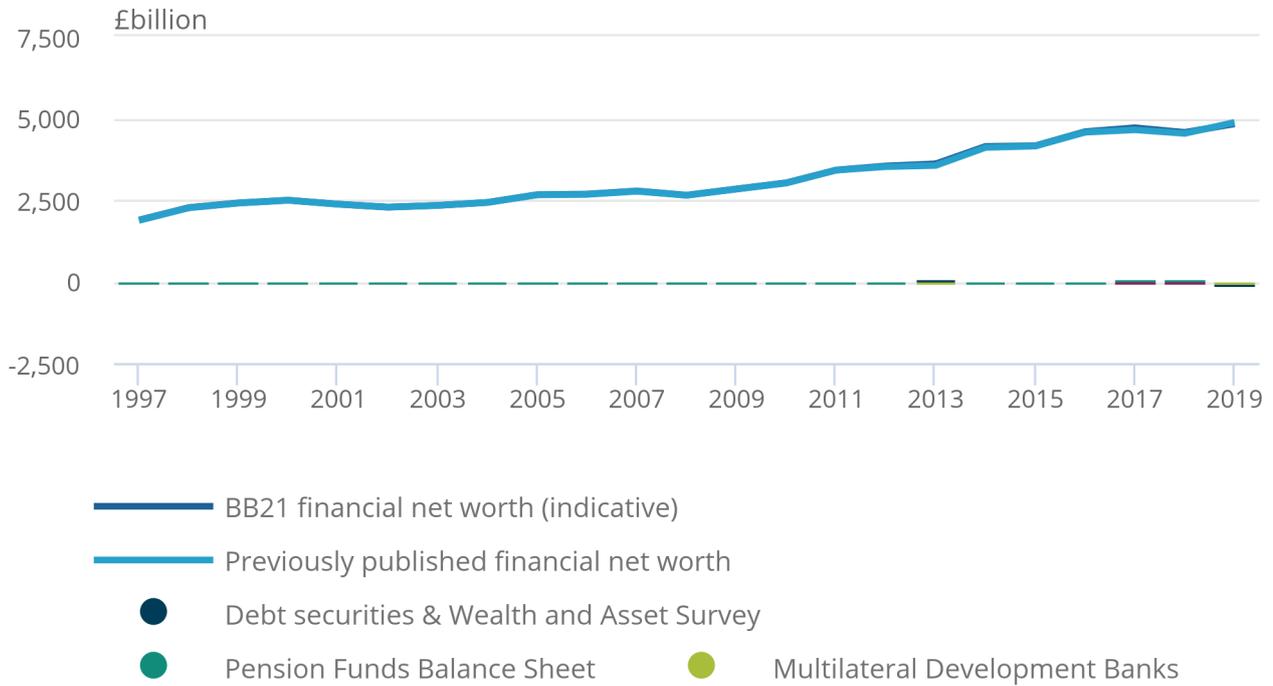
Source: Office for National Statistics

Figure 17: The average revision to household's financial net worth is positive £10.6 billion, with the largest driver being the pension funds balance sheet

Households financial net worth, UK, 1997 to 2019

Figure 17: The average revision to household's financial net worth is positive £10.6 billion, with the largest driver being the pension funds balance sheet

Households financial net worth, UK, 1997 to 2019



Source: Office for National Statistics

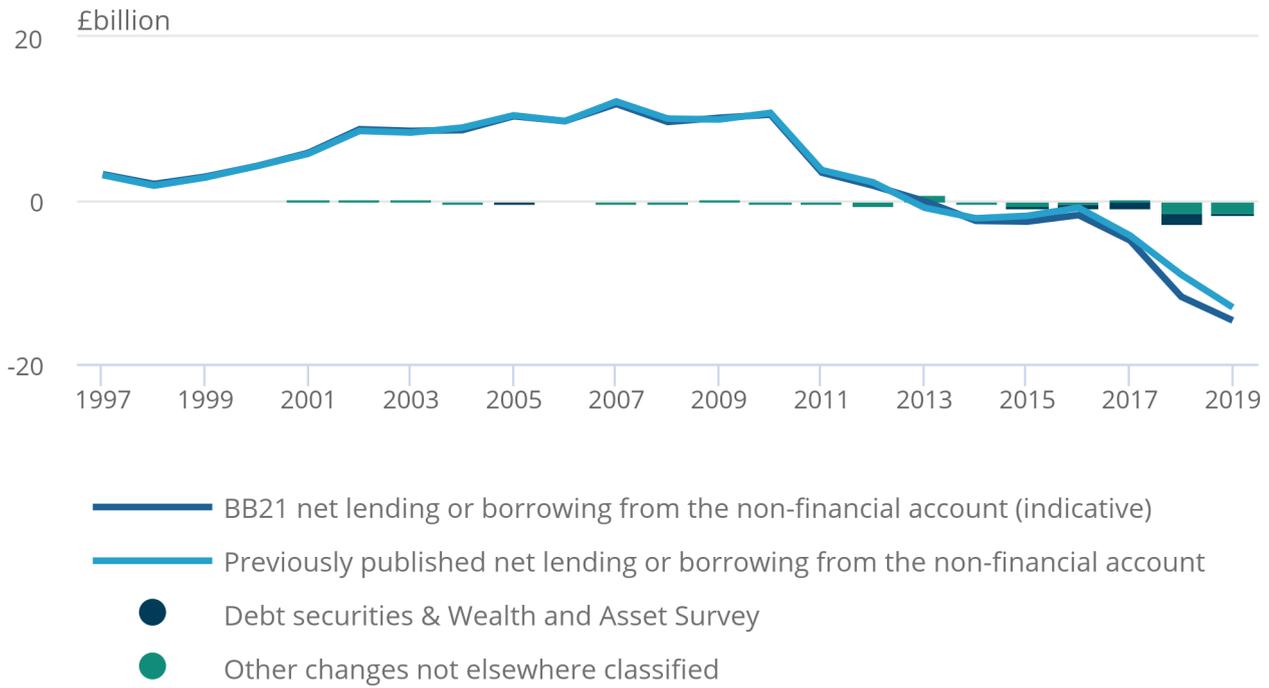
Non-profit institutions serving households

Figure 18: The average revision to NPISH net lending or net borrowing is negative £0.3 billion, mainly driven by the securities and WAS change

Non-profit institutions serving households net lending or net borrowing from the non-financial account, UK, 1997 to 2019

Figure 18: The average revision to NPISH net lending or net borrowing is negative £0.3 billion, mainly driven by the securities and WAS change

Non-profit institutions serving households net lending or net borrowing from the non-financial account, UK, 1997 to 2019



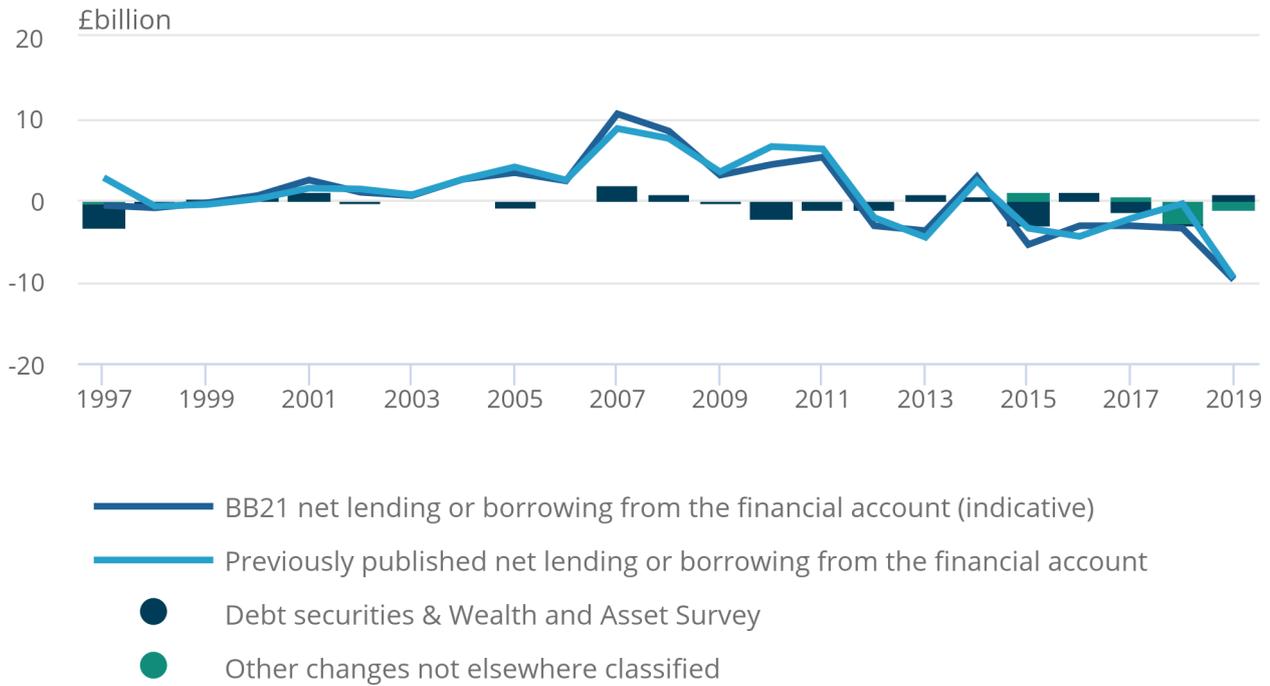
Source: Office for National Statistics

Figure 19: The average revision to NPISH net lending or net borrowing is negative £0.4 billion, mainly driven by the securities and WAS change

Non-profit institutions serving households net lending or net borrowing from the financial account, UK, 1997 to 2019

Figure 19: The average revision to NPISH net lending or net borrowing is negative £0.4 billion, mainly driven by the securities and WAS change

Non-profit institutions serving households net lending or net borrowing from the financial account, UK, 1997 to 2019



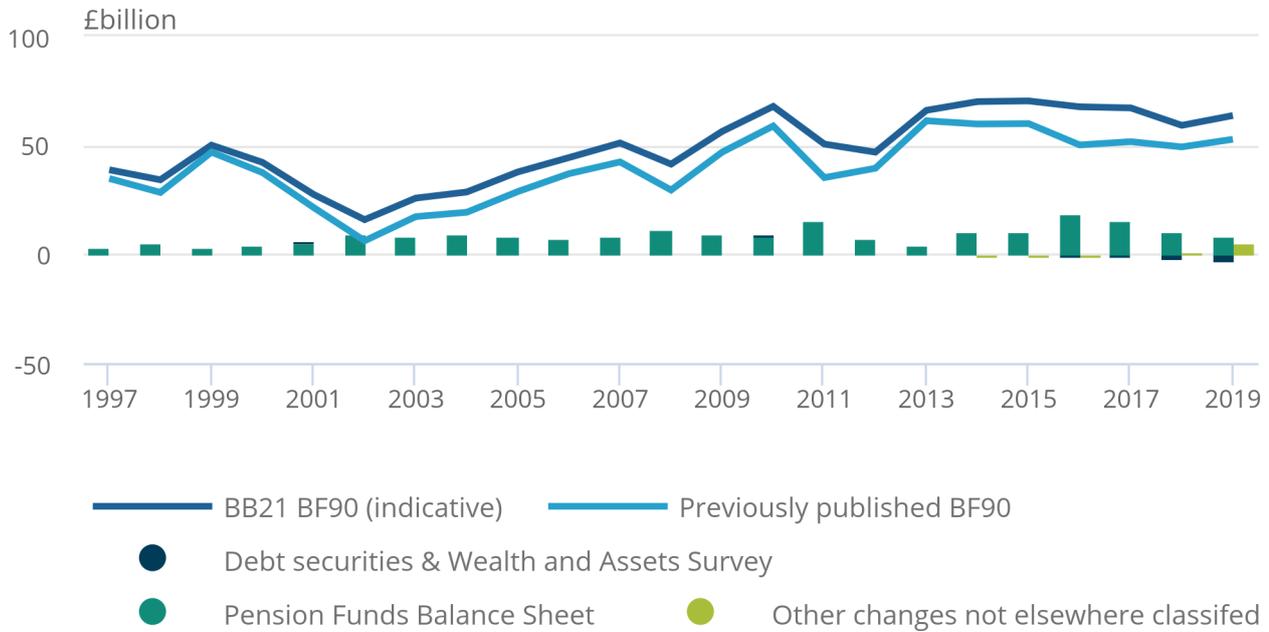
Source: Office for National Statistics

Figure 20: The average revision to non-profit institutions serving households financial net worth is positive £9.1 billion, mainly driven by the pension funds balance sheet

Non-profit institutions serving households financial net worth, UK, 1997 to 2019

Figure 20: The average revision to non-profit institutions serving households financial net worth is positive £9.1 billion, mainly driven by the pension funds balance sheet

Non-profit institutions serving households financial net worth, UK, 1997 to 2019



Source: Office for National Statistics

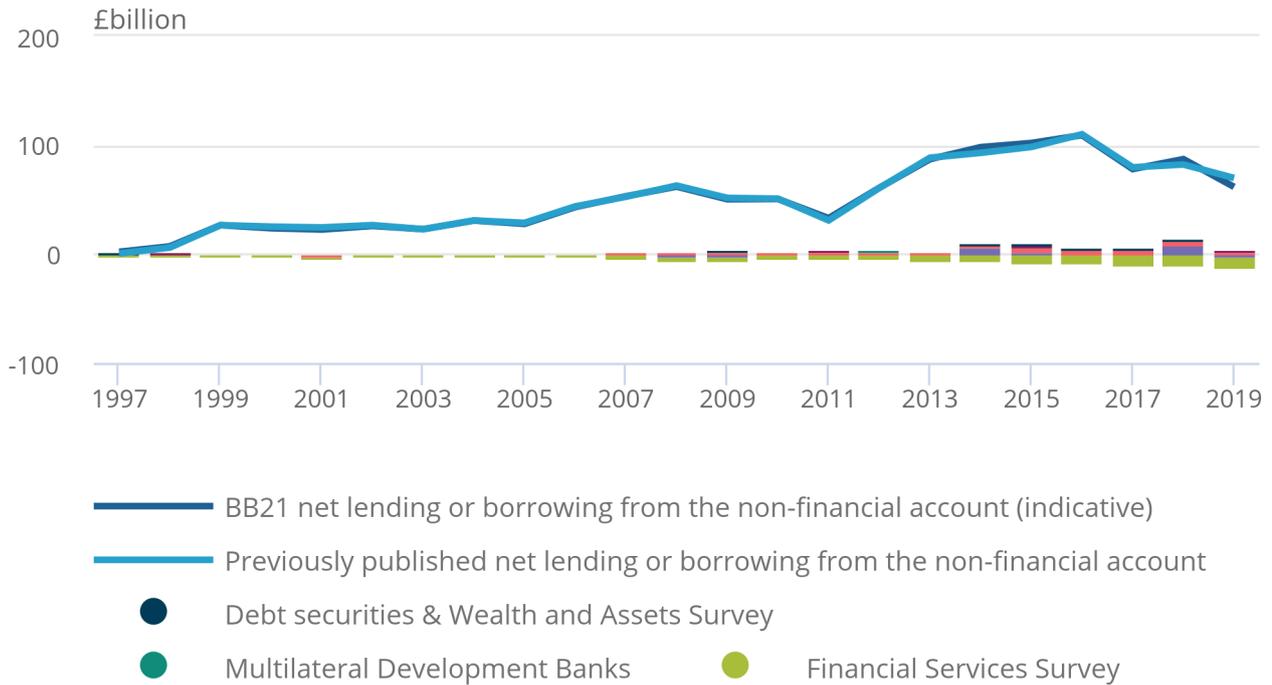
Rest of the world

Figure 21: The average revision to rest of the world net lending or net borrowing is negative £0.0 billion

Rest of the world net lending or net borrowing from the non-financial account, UK, 1997 to 2019

Figure 21: The average revision to rest of the world net lending or net borrowing is negative £0.0 billion

Rest of the world net lending or net borrowing from the non-financial account, UK, 1997 to 2019



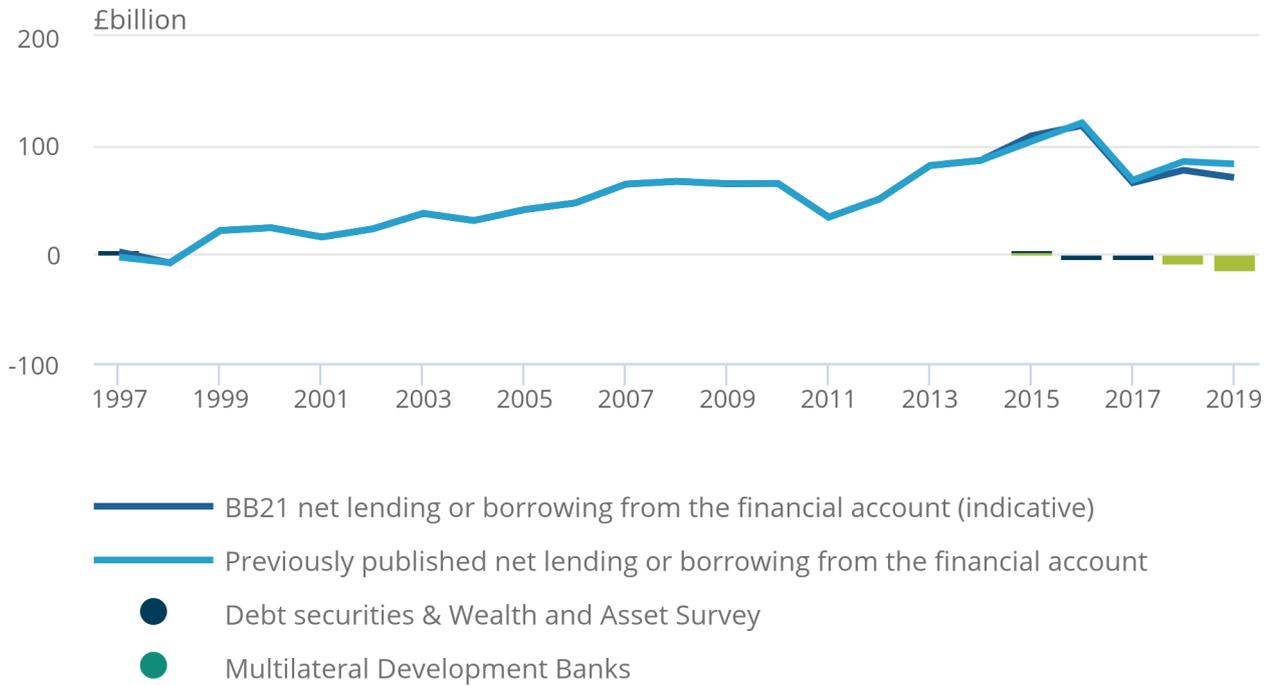
Source: Office for National Statistics

Figure 22: The average revision to rest of the world net lending or net borrowing is negative £0.7 billion, mainly driven by the take on of new source data from 2018 onwards

Rest of the world net lending or net borrowing from the financial account, UK, 1997 to 2019

Figure 22: The average revision to rest of the world net lending or net borrowing is negative £0.7 billion, mainly driven by the take on of new source data from 2018 onwards

Rest of the world net lending or net borrowing from the financial account, UK, 1997 to 2019



Source: Office for National Statistics

Figure 23: The average revision to rest of the world financial net worth is minus £1.8 billion, mainly driven by the take on of new source data from 2017 onwards

Rest of the world financial net worth, UK, 1997 to 2019

Source: Office for National Statistics

Authors:

Marina Gabriadze & Tom Spencer, Office for National Statistics

5 . Related Links

[Detailed assessment of changes being introduced to balance of payments annual estimates, 1997 to 2019](#)

Article | Released 8 September 2021

Forthcoming changes and their indicative impact on main balance of payments and international investment position (IIP) estimates, to be introduced when revised figures for the UK National Accounts and Balance of Payments, consistent with Blue Book 2021 and Pink Book 2021, are released.

[Impact of Blue Book 2021 changes on quarterly volume estimates of gross domestic product by industry](#)

Article | Released 8 September 2021

Detailed indicative quarterly and monthly impacts on GDP by industry published alongside the analysis.

[Impact of Blue Book 2021 changes on current price and volume estimates of gross domestic product](#)

Article | Released 28 June 2021

Methodological and data improvements that affect current price and chain volume measure of gross domestic product (GDP), 1997 to 2019.