

Statistical bulletin

Profitability of UK companies: April to June 2024

The net rate of return on capital employed for UK private non-financial corporations related to their UK operations.

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Table of contents

1. [Main points](#)
2. [Net rate of return for private non-financial corporations](#)
3. [UK continental shelf companies](#)
4. [Manufacturing and services](#)
5. [Data on profitability](#)
6. [Glossary](#)
7. [Data sources and quality](#)
8. [Related links](#)
9. [Cite this statistical bulletin](#)

1 . Main points

- The net rate of return for private non-financial corporations (PNFCs) was 8.8% in Quarter 2 (Apr to June) 2024, down from the estimate of 9.0% in Quarter 1 (Jan to Mar) 2024.
- The net rate of return for UK continental shelf (UKCS) companies rose to negative 1.0% in Quarter 2 2024, from negative 1.9% in Quarter 1 2024; this is the first increase in the net rate of return since Quarter 3 2022.
- The net rate of return for manufacturing companies was 7.3% in Quarter 2 2024, a slight increase of 0.1 percentage points, compared with the estimate of 7.2% in Quarter 1 2024.
- The net rate of return for services companies increased to 15.1%, after remaining at 14.4% in the three previous quarters.

2 . Net rate of return for private non-financial corporations

The net rate of return for private non-financial corporations (PNFCs) was 8.8% in Quarter 2 (Apr to June) 2024. This is 0.2 percentage points lower than the estimate of 9.0% in Quarter 1 (Jan to Mar) 2024.

Figure 1: The net rate of return for private non-financial corporations has decreased in April to June 2024

Net rate of return of UK private non-financial corporations, Quarter 1 (Jan to Mar) 2014 to Quarter 2 (Apr to June) 2024

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Net rate of return of UK private non-financial corporations, Quarter 1 (Jan to Mar) 2014 to Quarter 2 (Apr to June) 2024



Source: Profitability of UK companies from the Office for National Statistics

The decrease in profitability seen in Quarter 2 2024 was primarily caused by decreasing net operating surplus, which was led by increased capital consumption.

3 . UK continental shelf companies

The net rate of return for UK continental shelf (UKCS) companies rose to negative 1.0% in Quarter 2 (Apr to June) 2024, from negative 1.9% in Quarter 1 (Jan to Mar) 2024. This is the first increase in the net rate of return since Quarter 3 (July to Sept) 2022. Over this period, the net rate of return for UKCS companies had been decreasing at a diminishing rate from 22.9% in Quarter 3 2022, first going negative in Quarter 3 2023.

Figure 2: The net rate of return for UK continental shelf companies has increased in April to June 2024 after a period of falling

Seasonally adjusted net rate of return of UK continental shelf companies, Quarter 1 (Jan to Mar) 2006 to Quarter 2 (Apr to June) 2024 and the price of Brent Crude Oil in American dollars, Jan 2006 to June 2024

The gross operating surplus of UKCS companies has been steadily declining since 2022. The UK introduced a 35% "energy profits levy" on oil and gas producers in May 2022, as described in the [HM Revenue and Customs policy paper](#).

Oil and gas prices have been volatile because of uncertain demand and concerns over supplies and geopolitical risks. The main reason for the recent fall in demand for oil in Quarter 2 2024 is a slowdown in the Chinese economy, whose global oil demand equated to 60% of all global demand growth, according to the [International Energy Administration's \(IEA's\) commentary](#).

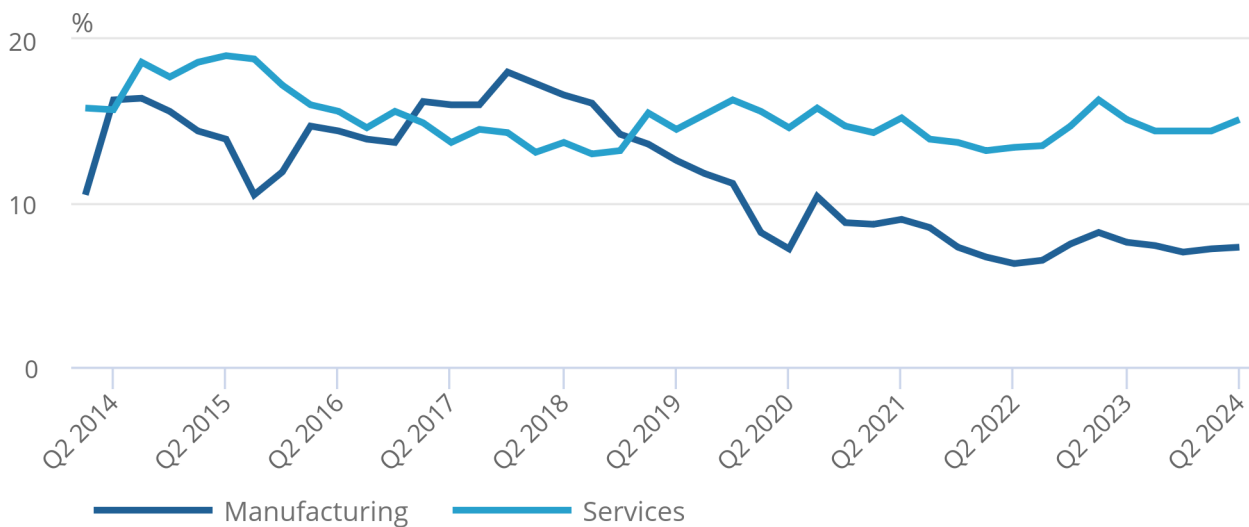
4 . Manufacturing and services

Figure 3: The net rate of return for manufacturing and services in April to June 2024

Seasonally adjusted net rate of return for UK companies split by manufacturing and services, excluding continental shelf companies, Quarter 1 (Jan to Mar) 2014 to Quarter 2 (Apr to June) 2024

Figure 3: The net rate of return for manufacturing and services in April to June 2024

Seasonally adjusted net rate of return for UK companies split by manufacturing and services, excluding continental shelf companies, Quarter 1 (Jan to Mar) 2014 to Quarter 2 (Apr to June) 2024



Source: Profitability of UK companies from the Office for National Statistics

Manufacturing

The net rate of return for manufacturing companies was 7.3% in Quarter 2 (Apr to June) 2024. This is a slight increase of 0.1 percentage points, compared with the estimate of 7.2% in Quarter 1 (Jan to Mar) 2024.

Manufacturing volumes have stopped falling and are now broadly the same as they were a year ago, as stated in the [Bank of England's \(BoE's\) Agents' summary of business conditions for Quarter 2 2024](#). The defense and aviation sectors continue to perform strongly, as have manufacturers of medical devices and consumables. The BoE report that this is offset by manufacturers of consumer durables and the construction industry's suppliers, whose output is down on a year ago. This is owing to the weakness seen in the construction sector and housing market.

Services

The net rate of return for services companies increased to 15.1%, after remaining at 14.4% in the three previous quarters.

Business services revenue growth is expected to see moderate volume growth in 2024, largely influenced by price increases, according to the BoE. Professional services lead with strong demand in litigation, audit, and tax. IT services are up, focusing on digitalisation and artificial intelligence (AI). Recruitment and corporate hospitality are modestly improving, while logistics volumes are down, especially in the construction and food sectors.

5 . Data on profitability

[Profitability of UK companies - rates of return and revisions](#)

Dataset | Released 13 November 2024

Rates of return and revision tables of UK private non-financial corporations (PNFCs) by quarter.

[Profitability of UK companies time series](#)

Dataset | Released 13 November 2024

Annual and quarterly data for the latest profitability estimates of UK companies.

6 . Glossary

Private non-financial corporations

Private non-financial corporations (PNFCs) comprise UK continental shelf (UKCS) companies and other non-financial UK (non-UKCS) companies. Non-UKCS companies are further split into manufacturing companies, companies providing non-financial services, and other industries including construction, electricity and gas supply, agriculture, and mining and quarrying.

Net rate of return

Net rate of return is used as the measurement of company profitability throughout this bulletin. The rate of return is calculated as the economic gain (profit) shown as a percentage of the capital used in production. "Net" refers to the rate of return after having accounted for the current value of capital consumed and capital stocks. "Capital consumed" refers to the decline in the current value in the stock of fixed assets (for example, because of depreciation). Gross rates of return are available in the accompanying dataset.

UK continental shelf

The UKCS is the area where the UK claims mineral rights beyond the territorial waters. Because of the nature of the industry, UKCS companies tend to be very capital-intensive and so require high levels of capital investment to operate. They also report high levels of depreciation of their fixed assets. The net rate of return for UKCS companies is not directly comparable with those for other sectors.

Gross operating surplus

The gross operating surplus (GOS) of PNFCs is a component of the income approach to measuring gross domestic product (GDP). GOS consists of gross trading profits, plus income from rental of buildings, less inventory-holding gains (changes in inventory value caused by price).

7 . Data sources and quality

Exploring uncertainty in profitability statistics

We calculate profitability statistics using estimates of gross operating surplus of private non-financial corporations (PNFC GOS) as a starting point. Once calculated, PNFC GOS statistics – like all components of [GDP](#) – are subject to balancing adjustments before publication. This is described in our [Recent challenges of balancing the three approaches of GDP article](#). These adjustments aim to reconcile the estimates with other income, expenditure, and production components when estimating GDP.

Published PNFC GOS data are subject to revisions in line with our [National Accounts Revisions Policy](#). As we develop new and improved methods to measure PNFC GOS, or any other component of GDP, it is often necessary to apply these methods retrospectively. This helps to avoid step changes and ensure comparability and consistent quality of data through time.

Balancing adjustments and ongoing revisions can be considered proxies for uncertainty. Generally, the larger the balancing adjustments and revisions, the more care should be taken when using PNFC GOS and profitability of UK company estimates in further analysis and decision making. Some revisions reduce uncertainty and can be applied, owing to improved methods, standards or data sources. In these cases, changes will be explained in more detail.

Figure 4: Estimated private non-financial corporation gross operating surplus growth rates, including and excluding balancing adjustments

Annual estimates, 2006 to 2022

Figure 4 shows how balancing adjustments tend not to change the direction of growth applied to PNFC GOS estimates. This occurred only once since 2007, when 2008 saw a significant upward adjustment before publication.

Adjustments have been relatively small in magnitude since 2011, after the 2008 economic crisis. We also do not balance adjustments systematically to favor increases or decreases to estimates prior to publication.

Figure 5: Changes to published gross operating surplus of private non-financial corporations

Percentage difference to original estimates of gross operating surplus of private non-financial corporations in subsequent quarterly national accounts publications, Quarter 1 (Jan to Mar) 2006 to Quarter 1 2024

Figure 5 uses our [real-time database for gross operating surplus of private non-financial corporations](#). It shows quarterly estimates since 2006 as lines beginning at zero, reflecting their original published value. Over time, revisions have typically moved between 5% and 10% up or down, relative to their original value.

There were more substantial upward revisions to the entire back series in 2014, resulting from publicised changes to production standards adopted by EU member states. Since then, revisions have typically stayed within a positive or negative 5% range of their original published value.

Data on corporate profits derived from HM Revenue and Customs form the basis of PNFC GOS estimates and are provided on a two-year lag, owing to the time taken for company tax returns to be completed and processed. This means more recent quarters of PNFC GOS rely on a higher degree of estimation, with the Quarterly Operating Profits survey (QOPS) used to estimate growth rates prior to Quarter 2 (Apr to June) 2020.

Since Quarter 2 2020, the latest quarters of PNFC GOS are no longer estimated using QOPS because of reprioritisation in the coronavirus (COVID-19) pandemic and concerns around the small sample size and quality of estimates. They now rely on a combination of external, qualitative sources to arrive at growth rates. There is no evidence so far that this change is resulting in increased revisions.

More quality and methodology information

More quality and methodology information on strengths, limitations, appropriate uses, and how the data were created is available in our [Profitability of UK companies quality and methodology information \(QMI\)](#).

Our [Quarterly sector accounts bulletins](#) include estimates of national production, income and expenditure, UK sector accounts, and the UK balance of payments.

Perpetual inventory method

We produce the underlying estimates of capital stock and capital consumption using the perpetual inventory method. Further details are available in our [Capital stocks and fixed capital consumption QMI](#).

8 . Related links

[GDP quarterly national accounts, UK: April to June 2024](#)

Bulletin | Released 30 September 2024

Revised quarterly estimate of gross domestic product (GDP) for the UK. Uses additional data to provide a more precise indication of economic growth than the first estimate.

[Quarterly sector accounts, UK: April to June 2024](#)

Bulletin | Released 30 September 2024

Detailed estimates of quarterly sector accounts that can be found in the UK Economic Accounts (UKEA).

[Gross operating surplus for private non-financial corporations, current and upcoming work: August 2024 update](#)

Article | Released 20 August 2024

Summary of plans to develop user understanding and ensure the quality of gross operating surplus for private non-financial corporations (PNFC GOS) statistics.

9 . Cite this statistical bulletin

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