Industry-to-industry monthly payments, UK QMI

Quality and methodology information for UK industry-to-industry monthly payments, detailing the strengths and limitations of the data, and the methods used.

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1 . Output information

- National Statistic: no

- Data collection: administrative data from a third party

- Frequency: recurring, to be confirmed

- How compiled: based on third party data

- Geographic coverage: UK

Related publications:

- UK industry-to-industry payment flows, 2016 to 2023: experimental data and insights, UK industry-to-industry monthly payments, non-seasonally adjusted

- UK industry-to-industry payment flows, 2017 to 2024: experimental data, UK industry-to-industry monthly payments, non-seasonally adjusted

2 . About this quality and methodology information report

This Quality and Methodology Information report contains information on the quality characteristics of the data (including the European Statistical System's five dimensions of quality) as well as the methods used to create it.

The information in this report will help you to:

- understand the strengths and limitations of the data

- learn about existing uses and users of the data

- understand the methods used to create the data

- help you to decide suitable uses for the data

- reduce the risk of misusing data

3 . Important points

- This is an experimental dataset; work is in progress to improve sample size, data quality, industry classification, and where possible, to introduce regional breakdown.

- The 2017 to 2024 publication is based on an unweighted sample of anonymised and aggregated Bacs Payment System (Bacs) Direct Debit, Bacs Direct Credit and Faster Payment Service (FPS) payments made between 3,142,000 organisations; this sample captures over half of the estimated 5,656,000 UK organisations estimated to exist by the Department for Business and Trade.

- Please note that this is an update from the previous 2016 to 2023 article, which contained monthly payments between UK industries derived from an unweighted sample of anonymised and aggregated Bacs Direct Debit and Direct Credit payments between approximately 117,000 organisations known as Bacs Service Users.

4 . Overview of Bacs and FPS payments data

In the UK, payments between individuals and organisations can be made using one of the following methods:

- cash

- cheques

- payment cards

- interbank transfers

Domestic interbank transfers can take place via one of the three UK payment systems, which cater for different transaction needs. The first system is the Bacs Payment System (Bacs), which processes Bacs Direct Credits, widely used to pay salaries, benefits, dividends and supplier payments directly into bank accounts, and Direct Debits, which automate the collection of regular payments such as utilities and other bills. The second system is the Faster Payment System (FPS), which facilitates real-time payments between UK bank accounts up to a certain limit. The third system is the Clearing House Automated Payment System (CHAPS), which is the sterling high value payments system operated by the Bank of England.

The Office for National Statistics (ONS) is collaborating with our partners at Pay.UK and Vocalink, respectively the operator of and infrastructure provider to the UK's retail interbank payment systems, including Bacs and FPS, to develop experimental economic indicators using payment systems data. The Direct Debit indicators developed as part of the collaboration are already published regularly in our Economic activity and social change in the UK, real-time indicators bulletin.

These experimental datasets on industry-to-industry payment flows within the UK are compiled using a sample of anonymised and aggregated Bacs Direct Debit, Bacs Direct Credit, and FPS payments data provided to the ONS. The important innovations of this indicator are the presence of both the source and destination industries of the payments made and their monthly time series properties.

The most recent data published cover January 2017 to November 2024, and consist of payments within the UK between approximately 3,142,000 known organisations, companies, charities and governmental organisations that utilise the Bacs and FPS for interbank transfers.

Our previous Industry-to-industry payment flows, UK: 2016 to 2023, experimental data and insights article, covering January 2016 to October 2023, was based on 117,000 Bacs Service Users, who are companies, groups of companies, charities and governmental organisations that are registered to use Bacs services for the clearing and settling of Direct Debits and Direct Credits.

5 . Quality summary

Overview

The 2016 to 2023 publication is compiled using a sample of payments within the UK between approximately 117,000 Bacs Payment System (Bacs) Service Users between 2016 and 2023 only. These data were aggregated to two-digit SIC (SIC2) level, or groups of SIC2, industries in instances where that would help with passing statistical disclosure control.

The most recently published experimental dataset on industry-to-industry payment flows within the UK is compiled using a sample of payments between approximately 3,142,000 organisations using Bacs and the Faster Payments System (FPS) between 2017 and 2024. We use a combination of deterministic and probabilistic data science techniques to identify accounts, which belong to organisations and their industry information. For smaller organisations, accounts might not strictly be only a business account or only a personal account. We use five identifiers for organisation accounts:

1. We include known organisations, referred to as Bacs Service Users, which are companies, groups of companies, charities and governmental organisations that are registered to use Bacs services for the clearing and settling of Direct Debits and Direct Credits; this mirrors the 117,000 sample included in the 2023 publication.

2. We isolate strings within the account name, which indicate the use of the account; for example, where the account name ends in "Limited" or "LTD", we identify the account as belonging to an organisation, and where the account names start with "Mr" or "Ms", that it belongs to an individual and is therefore excluded.

3. Payments made to employees through the PAYE scheme have historically been flagged within Bacs; these payments suggest an account belongs to an individual and are therefore excluded.

4. We identify accounts that interact with public sector bank accounts, for example, a bank account making payments to an HMRC corporation tax or VAT collection account is highly likely to belong to a business or organisation; on the other hand, a bank account paying council tax is likely to belong to an individual and is therefore excluded.

5. Industry detail is identified by probabilistically matching accounts and Service User names to Companies House and a publicly available list of entities (this is discussed in the rest of this section). For accounts, matching the name is considered a pre-requisite for identifying the account as belonging to an organisation. This is not the case for Bacs Services Users, for which there is a high degree of certainty the account belongs to an organisation.

Industry classification for Bacs and FPS users is derived within Vocalink using a combination of deterministic and probabilistic approaches matching Bacs and FPS users names to Companies House and other publicly available information to identify educational establishments, local and central government, and hospitals. When a company is registered with Companies House, organisations identify the five-digit Standard Industry Classification (SIC) they primarily operate in. The code "00000" is used in cases in which we are unable to match a Bacs Service User to Companies House, or the SIC information is missing or indicates the company is dormant or non-trading. Where applicable, organisations are also matched with other publicly available sources for public bodies, such as educational institutions and local and central government. In this case, we use the implied SIC code, for example, if the organisation is a university, we assign the code "85421: First-degree level higher education".

For both data publications, it is possible that "headquarter effects" exist in the data, whereby each payment involving an enterprise is captured under the industry classification of its headquarter (that is, a registered Bacs and FPS user) even if some payments might belong to smaller organisational units operating in a different industry. Currently, we are unable to redistribute payments flows to Bacs and FPS users across the industries of its composite units.

The observed flow of funds between industries is affected by the possibility of accessing Bacs Direct Debit and Direct Credit directly (becoming a Bacs service user) and indirectly (using Bacs Approved Bureaux or facilities management). In the latter case, the payment flows would be attributed to the intermediaries rather than directly between the organisations trying to pay and receive funds. This point extends to the financial industry as a whole, whose intermediation role generally involves receiving payments from organisations as repayments for advancement of payments on their behalf to others.

Some observed payments would be for capital expenditure or transfers (such as tax, subsidy, benefits, etc) rather than intermediate and final consumption. Currently, we are unable to distinguish different types of payments.

As part of our data development project with Pay.UK and Vocalink, over the next 12 months we aim to improve the quality of the experimental data by, where possible, further increasing the sample size to include all Bacs and FPS payments between organisations, and developing a regional breakdown.

As a result, figures in the experimental dataset are subject to revision and future releases may differ from the current version.

Strengths and limitations

Strengths

- The data contain monthly information on industry-to-industry payments for a sizeable timeframe, most recently from January 2017 to October 2024 and previously between January 2016 and October 2023

- Bacs and FPS payments data used to compile this experimental industry-to-industry dataset are much more timely than traditional data sources used to compile similar information in input-output tables and provide close to real-time insights into the UK supply chain; these data also have the potential to be used in the quality assurance or enhancement of these measures.

- The most recent publication provides substantial industry granularity; after disclosure control has been applied, the published data still represent over 93% of the available value at the five-digit level and over 99% of the available value at the two-digit level.

- Payment systems data have very high coverage of industry-to-industry payments in the economy and much higher coverage than is achievable with survey data sources.

- Information on the value and number of transactions are fully accurate as they are digital footprint by-products from very mature and reliable payment systems.

Limitations

- Payments between industries can take place via multiple payment methods so even when the dataset is fully developed, it would not capture the universe of payments between industries.

- The 2023 data are compiled using a sample of payments between registered Bacs service users, which are likely to be larger businesses and organisations; as such, the 2023 sample is unlikely to be representative of all UK industry-to-industry payments and in particular, may not accurately capture payments made by small organisations.

- The latest data are compiled using a sample of payments between organisations using both Bacs and FPS; the increase in sample size and inclusion of FPS are likely to have reduced bias when compared with the original data, though may not have completely removed it.

- It is possible that industry misclassification exists in the data and a proportion of the payment flow is attributed to an "unknown" industry.

- Industry code might refer to headquarter activity of an enterprise rather than its operational units, generating an "headquarter effect".

- Distinguishing passenger payments that involve an intermediary is not currently possible.

- Payments between organisations might capture the impact of economic events with some delay because of the nature of invoicing.

- Trends should be interpreted with caution as currently the dataset is not seasonally adjusted and payment values are not adjusted for price increases over time.

- Long-term trends may also be affected by changes in payment methods preferences, for example Bacs and FPS payments may be preferred over cash and cheques, over time.

6 . Concepts and definitions

Bacs service

The service administered by Bacs Payment System (Bacs) relating to the automated clearing and settlement of Direct Debit and Direct Credit between Bacs participants.

Bacs service user

A company, group of companies, charity, or other organisation that uses one or more Bacs services. An organisation that becomes a Bacs Service User can collect Direct Debits directly themselves, or they may choose to use a third party (a Bacs Approved Bureau or a facilities management provider) to do so on their behalf. For an organisation to be permitted to collect Direct Debits themselves, they must undergo a set of checks and respect certain rules.

Bacs Direct Debit

Bacs Direct Debit allows organisations to electronically collect payments from their customers (both business customers and consumers) directly from their payment service provider (PSP) account for agreed amounts and on agreed dates.

Bacs Direct Credit

Bacs Direct Credit allows organisations to make payments by electronic transfer directly into payment services provider (PSP) accounts. Organisations can make Direct Credit payments via direct access (submitting the data themselves) or indirect access (via a Bacs Approved Bureau).

Bacs Approved Bureau

A commercial bureau awarded approved status by Bacs to collect or make payments on behalf of other organisations.

Facilities management

In the context of the Direct Debit Scheme, a service user (FM provider) or bureau that takes responsibility for the collection or administration of Direct Debits on behalf of another business that may not be a Bacs Service User in its own right (FM client).

Faster Payment System (FPS)

FPS is a payment system that allows for payments of up to £1,000,000, and can be used for individual payments, standing orders, forwarded dated payments and direct corporate access payments.

Payment service provider

An institution which offers payment services to customers, whether they are businesses or retail consumers, such as banks and building societies.

7 . Methods used to produce the UK industry-to-industry monthly payments, non-seasonally adjusted data

How we collect the data, main data sources and accuracy

Bacs Payment System (Bacs) and Faster Payment System (FPS) data are collected and processed by Vocalink on behalf of Pay.UK. Before the data are provided to the Office for National Statistics (ONS), they are aggregated and anonymised in Vocalink, with rigorous statistical disclosure control and suppression applied, to ensure individual organisations and transactions cannot be identified.

Information on the value and number of payments in the original Bacs and FPS data is accurate, as it is based on digital footprint data from a highly mature and stable payment system. However, derived information, such as industry classification, may have some inaccuracies.

8 . Cite this methodology

Office for National Statistics (ONS), released 13 January 2025, ONS website, methodology, Industry-to-industry monthly payments, UK Quality and Methodology Information