

Compendium

Financial account



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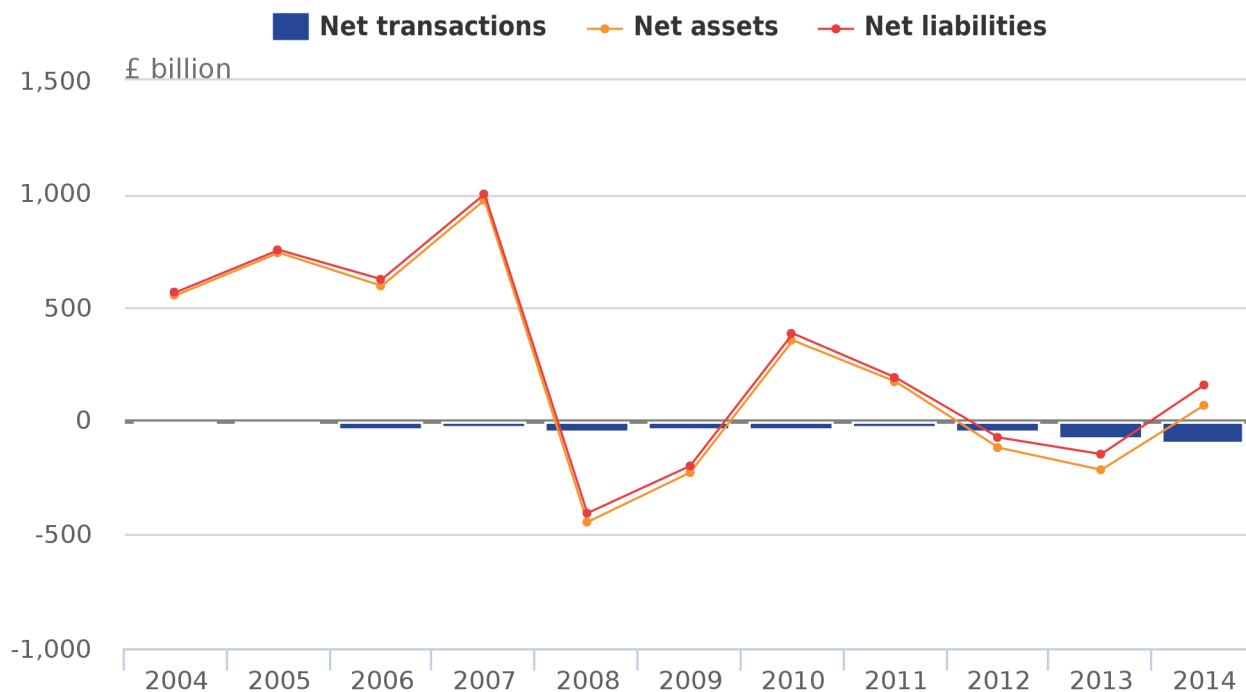
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1 . Financial account

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.

Figure 7.1: UK financial account, 2004 to 2014



Source: Office for National Statistics

In 2014, the UK recorded a net inflow of £89.4 billion, an increase from a net inflow of £69.1 billion in 2013. The increase was due to a net increase in liabilities to non-residents of £158.8 billion, while UK assets abroad only recorded a net increase of £69.4 billion. In 2013, the net inflow of £69.1 billion was due to net decrease of UK assets abroad of £214.5 billion, while UK liabilities to non-residents recorded a net decrease of £145.4 billion.

2 . Sectoral breakdown of the financial account

UK investment abroad

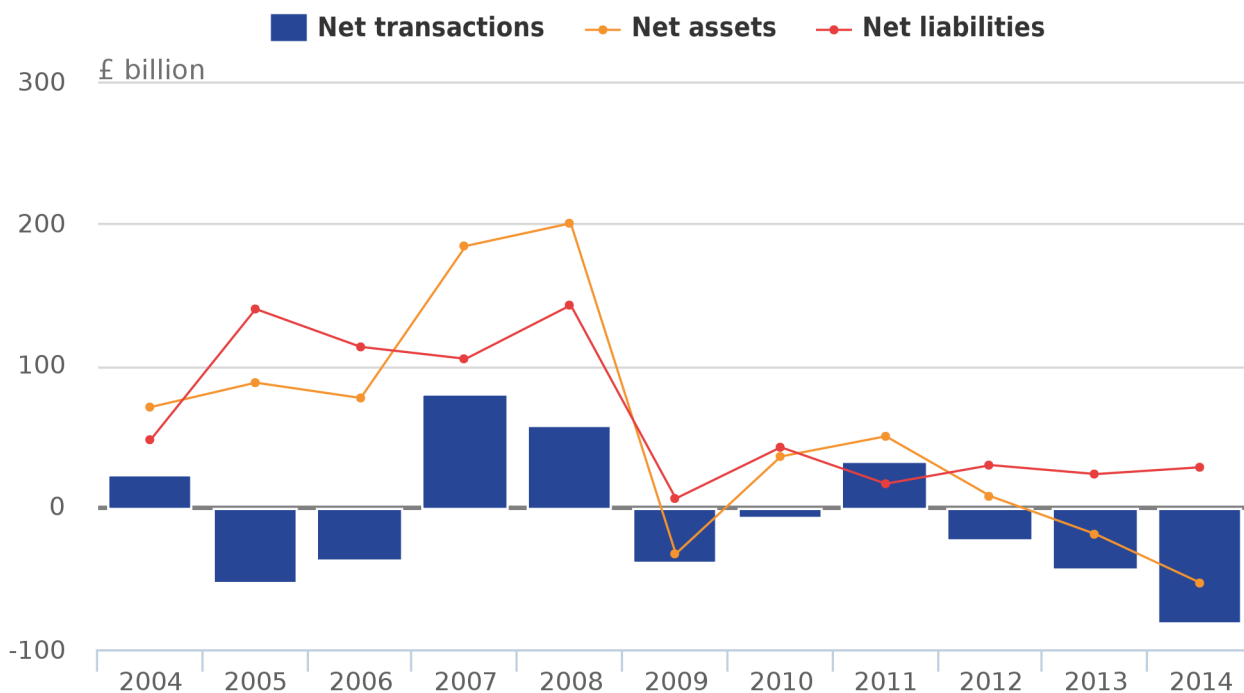
UK monetary financial institutions switched to be net investors in foreign assets during 2014 of £86.5 billion from net disinvestment in 2013 of £338.7 billion. Additionally, in 2014, central government continued to be a net investor of £7.1 billion, primarily to acquire reserve assets. Partially offsetting these were other sectors, who were net sellers of foreign assets of £24.6 billion in 2014, a switch from net investors of £120.0 billion in 2013.

Investment in the UK

Non-residents invested £159.3 billion in UK other sectors in 2014, an increase from £113.1 billion in 2013. Additionally, non-residents invested £14.3 billion in 2014 in UK central government assets, a decrease from £34.8 billion in 2013. Offsetting these, non-residents disposed of £15.2 billion assets in UK monetary financial institutions, a decrease from disposing of £293.6 billion assets in 2013.

Direct investment

Figure 7.2: UK financial account: direct investment, 2004 to 2014



Source: Office for National Statistics

Direct investment recorded a net inflow of £81.6 billion in 2014, as non-residents continued to invest in the UK, while UK residents disposed of more foreign assets than they bought.

UK direct investment abroad

In 2014, UK residents disposed of more foreign direct investment assets than they acquired, recording a net disposal of assets of £53.4 billion, an increase from the net disposal of assets of £19.0 billion in 2013.

The net disposal of assets was due to the net disposal of equity capital of £69.4 billion and negative reinvestment of earnings of £9.7 billion, this is the first recording of negative reinvested earnings since records began in 1987. Negative reinvested earnings indicate a withdrawal of equity by a direct investor. This can be due to the direct investment enterprise incurring a loss on its operations or the declared dividends are larger than net income in the period.

These were partially offset by net investment in debt instruments of £25.7 billion, the first net investment in debt instruments since 2008.

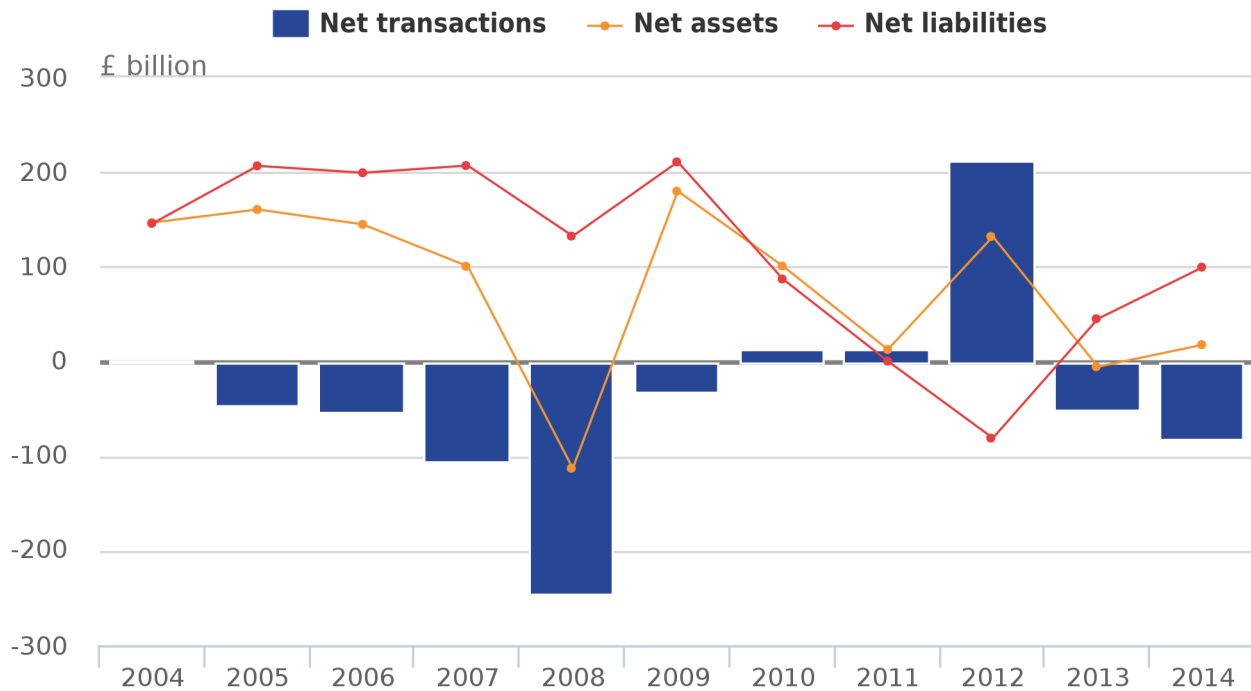
Direct investment in the UK

Direct foreign investment in the UK increased from £23.4 billion in 2013, to £28.2 billion in 2014. This can be broken down as follows:

- equity capital of £16.0 billion
- reinvested earnings of £11.2 billion
- debt instruments of £0.9 billion

3 . Portfolio investment

Figure 7.3: UK financial account: portfolio investment, 2004 to 2014



Source: Office for National Statistics

Portfolio investment recorded net transactions that showed an increase in UK liabilities of £82.0 billion in 2014, while in 2013 UK liabilities increased £50.7 billion.

UK portfolio investment abroad

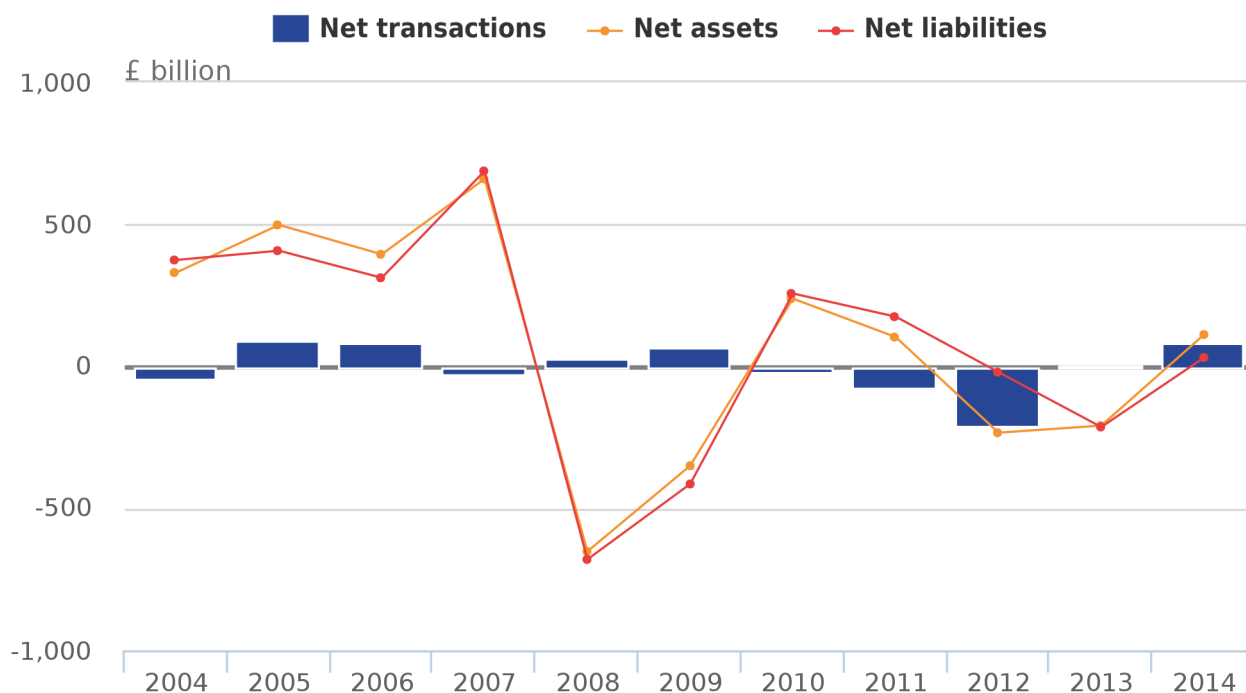
In 2014, UK residents were net investors in foreign debt securities of £34.9 billion, but recorded net disinvestment in foreign equities and investment fund shares of £17.3 billion. These led to total portfolio investment of £17.6 billion in 2014, a switch from net disinvestment of £5.7 billion in 2013. The net disinvestment in 2013 was due to UK residents recording net disinvestment in equities and investment fund shares of £22.8 billion, partially offset by net investment in foreign debt securities of £17.1 billion.

Portfolio investment in the UK

In 2014, UK portfolio investment liabilities to non-residents increased by £99.6 billion, while in 2013 liabilities increased by £45.0 billion. Non-residents recorded net investment of £87.9 billion in debt securities and £11.7 billion in UK equities and investment fund shares in 2014. This compares with net investment of £14.8 billion in UK debt securities and £30.2 billion in UK equities and investment fund shares in 2013.

4 . Other investment

Figure 7.4: UK financial account: other investment, 2004 to 2014



Source: Office for National Statistics

The other investment functional category recorded a net increase in UK assets in 2014 of £81.0 billion, an increase from a net increase of £5.1 billion in 2013.

UK other investment abroad

In 2014, other investment abroad recorded net investment of £112.0 billion, a switch from net disinvestment in 2013 of £208.7 billion. This was due to UK residents making net deposits of £70.8 billion, following net withdrawals of £193.6 billion in 2013. Additionally, there was net borrowing of short-term loans of £42.3 billion by non-residents in 2014, following net repayments of £15.0 billion in 2013.

Other investment in the UK

In 2014, non-residents switched to net investment of £31.0 billion following net disinvestment of £213.8 billion in 2013. This was due to UK residents net borrowing of £34.5 billion of short-term loans, a decrease from net borrowing of £61.4 billion in 2013. Partially offsetting this, non-residents made net withdrawal of deposits of £8.0 billion in 2014, a decrease from net withdrawal of deposits of £278.2 billion in 2013.