

Article

# Other financial institutions' experimental financial balance sheet statistics: January to September 2020

The other financial institutions' financial balance sheet levels for the first three quarters of 2020 and, for comparison, Quarter 4 (Oct to Dec) 2019.

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# 1 . Main points

- This article presents experimental balance sheet statistics for other financial institutions (OFIs), which cover all financial activities except for banking, insurance, investment funds and pension funds; OFIs is the second-largest UK financial grouping by assets, after banking.
- The primary OFIs' data source is the Financial Services Survey (FSS 266), although other experimental statistics sources are also used to complement the FSS 266.
- A full set of experimental statistics is provided for Quarter 4 (Oct to Dec) 2019 to Quarter 2 (Apr to June) 2020, inclusive.
- For Quarter 3 (July to Sept) 2020 only, experimental statistics for securities dealers and non-bank lending to households are provided, reflecting FSS 266 data availability.
- OFIs' total assets and liabilities increased sharply in Quarter 1 (Jan to Mar) 2020 and levelled off in Quarter 2 2020 but remained well above the pre-coronavirus (Quarter 4 2019) levels.
- OFIs' total financial assets in Quarter 2 2020 were £4.5 trillion, 13% higher than the pre-coronavirus (Quarter 4 2019) level of £4.0 trillion.
- During 2020, derivatives were responsible for 75% of the increase in OFIs' assets and liabilities.
- Derivative asset holdings remain elevated when compared with pre-coronavirus (Quarter 4 2019) levels as securities dealers held £1.3 trillion of derivative assets in Quarter 3 2020, more than 30% higher (positive £0.3 trillion) than the pre-coronavirus level of £1.0 trillion.
- OFIs' non-bank lending to households, as measured by the FSS 266, was £75 billion in Quarter 2 2020, 7% lower than the pre-coronavirus (Quarter 4 2019) level.
- Commercially supplied data (that is, non-FSS 266) suggest that the OFIs' stock of non-bank lending to households was broadly stable in Quarter 3 2020, compared with Quarter 2 2020.
- The level of other assets continued to exceed the pre-coronavirus (Quarter 4 2019) level of £0.25 trillion, which is mostly other accounts receivable; a similar situation continues for other liabilities, which is mostly other accounts payable.

## 2 . Analysis of other financial institutions' experimental financial balance sheet statistics

This article presents [experimental balance sheet statistics](#) for other financial institutions (OFIs). OFIs cover all financial activities except for banking, insurance, investment funds and pension funds. OFIs is the second-largest UK financial grouping by assets, after banking.

The term [experimental statistics](#) means that the Financial Services Survey (FSS 266) and other contributing sources are "under active development" and are not directly comparable with UK National Accounts statistics, such as the Blue Book. These experimental balance sheet statistics have been produced outside of current processing of the national accounts and will likely be revised prior to inclusion in future annual national accounts.

The primary OFIs' data source is the Office for National Statistics (ONS) [Financial Services Survey](#) (FSS 266), although other experimental statistics sources are also used to complement the FSS 266. The FSS 266 samples most financial activities outside of banking, investment funds, insurance corporations and pension funds.

A full set of OFIs' experimental statistics (FSS 266-sourced) is provided for Quarter 4 (Oct to Dec) 2019 to Quarter 2 (Apr to June) 2020, inclusive. Following a sharp increase in Quarter 1 (Jan to Mar) 2020, OFIs' total assets and liabilities moderated in Quarter 2 2020 but remain well above Quarter 4 2019. Derivatives were responsible for most of the increase in OFIs' assets and liabilities.

As we do not yet have a full set of FSS 266 results for Quarter 3 (July to Sept) 2020, we only are able to present experimental balance sheet statistics from the FSS 266 for securities dealers on own account for Quarter 3 2020. Some OFIs' experimental non-bank lending to households statistics from non-FSS 266 sources are also provided for Quarter 3 2020, again, reflecting the unavailability of FSS 266 data for Quarter 3 2020. A full set of FSS 266 results for Quarter 3 2020 will be published once available.

As coronavirus (COVID-19) related restrictions were applied in the UK during the second half of March 2020 (that is, during Quarter 1 2020), this article compares financial assets and liabilities for the other financial institutions sectors with the pre-coronavirus experimental statistics for Quarter 4 2019.

Again, noting the unavailability of full FSS 266 experimental statistics for Quarter 3 2020, the experimental financial asset statistics are shown in Table 1 for Quarter 4 2019 through to Quarter 2 2020 inclusive. Explanations of financial instruments listed in Table 1 can be found in Section 4 of the [Institutional sectors and financial instruments in the UK flow of funds accounts matrices](#). Additional experimental balance sheet statistics can be found in the accompanying tables.

Table 1: Financial assets by financial instrument, £ billion

	<b>2019Q4</b>	<b>2020Q1</b>	<b>2020Q2</b>
<b>AF.2 Deposits</b>			
<b>AF.22 Transferable deposits</b>	124	111	128
<b>AF.29 Other deposits</b>	204	232	216
<b>Total deposits</b>	328	343	344
<b>AF.3 Debt</b>			
<b>AF.31 Short-term debt</b>	29	30	32
<b>AF.32 Long-term debt</b>	69	83	78
<b>Total debt</b>	97	113	110
<b>AF.4 Loans</b>			
<b>AF.41 Short-term loans</b>	747	811	811
<b>AF.42 Long-term loans</b>	262	271	270
<b>Total loans</b>	1009	1083	1080
<b>AF.5 Equities, shares and units</b>			
<b>AF.511 Listed equity</b>	130	62	86
<b>AF.512 Unlisted equity</b>	1136	1153	1168
<b>AF.519 Other equity</b>	17	18	17
<b>AF.521 Money market fund shares or units</b>	7	6	13
<b>AF.522 Non-money market fund shares or units</b>	8	7	7
<b>Total equities, shares and units</b>	1298	1246	1292
<b>AF.71 Derivatives</b>	1017	1537	1409
<b>Other accounts receivable and other assets</b>	252	311	290
<b>Total assets</b>	4000	4632	4525

Source: Office for National Statistics – Financial Services Survey 266

## Total financial assets and liabilities

OFIs' assets and liabilities initially spiked in Quarter 1 2020, largely because of derivatives, and remained elevated in Quarter 2 2020.

At the end of Quarter 2 2020, OFIs' total financial assets were £4.5 trillion and total financial liabilities were £4.8 trillion. OFIs' total financial assets were £0.5 trillion (13%) higher at the end of Quarter 2 2020 than the Quarter 4 2019 level of £4.0 trillion. Most of the increase (75%) in total assets was because of derivative assets, mainly held by securities dealers.

Since Quarter 1 2020, total financial assets have decreased by £0.1 trillion (2%) and total liabilities increased by £31 billion (1%). Together, these two changes resulted in a decline in net financial assets during Quarter 2 2020, although the changes are modest when compared with total financial assets of £4.6 trillion in Quarter 1 2020.

## Derivatives

OFIs' [derivative](#) assets and liabilities increased significantly during Quarter 1 2020, before gradually declining in Quarter 2 2020, but still remain significantly higher than the pre-coronavirus (Quarter 4 2019) levels. The initial increase coincides with the beginning of the coronavirus (COVID-19) pandemic. Uncertainty surrounding the effects of the coronavirus on the economy likely caused [securities dealers](#) to use derivatives for additional hedging, speculation and risk-management activities.

From Quarter 4 2019 to Quarter 2 2020, the increase in total OFIs' financial assets was primarily driven by an increase in derivatives. Derivative assets grew from £1.0 trillion to £1.5 trillion in Quarter 1 2020, before declining to £1.4 trillion in Quarter 2 2020. A similar pattern can be seen in derivative liabilities.

The increase of £0.5 trillion in derivative assets during Quarter 1 2020 is broadly consistent with the Office for National Statistics (ONS) article [Early assessment of the impact of the coronavirus pandemic on the UK's financial accounts](#), which also showed a large increase in monetary financial institutions' derivatives assets and liabilities during Quarter 1 2020. In the case of the OFIs' derivatives assets and liabilities, 99% were held or incurred by securities dealers.

## Liquidity

The FSS 266 experimental statistics suggest that OFIs exhibited some movement towards more liquid assets by substituting other deposits (not available on demand) for transferable deposits (available on demand) and accumulating assets in [money market fund shares and units](#) (equivalent to deposits). Holding more liquid assets enhances firms' ability to meet short-term obligations, particularly when facing disruptions to cashflow caused by the coronavirus pandemic.

The FSS 266 shows, between the end of Quarter 1 and Quarter 2 2020, transferable deposits increased by £18 billion (16%) whereas other deposits decreased by £16 billion (7%). Assets held in money-market fund shares and units also increased by 104%, from £6 billion to £13 billion. Money market fund shares and units are highly liquid instruments and are close substitutes for transferable deposits.

## Listed and unlisted equity

Assets held as listed equity fell by more than half during Quarter 1 2020, before increasing modestly in Quarter 2 2020. Listed equity comprises shares traded on a recognised stock exchange, such as the London Stock Exchange. As such, the trend in FSS 266 listed equity holdings over the first two quarters of 2020 reflects the behaviour of global stock markets. In response to the coronavirus pandemic, markets fell during the first quarter of 2020, before later recovering.

FSS 266 experimental statistics show that OFIs' assets held as listed equity declined by £44 billion (34%) between Quarter 4 2019 and Quarter 2 2020. During Quarter 1 2020, there was a decline of £68 billion (52%) in OFIs' listed equity asset, followed by an increase of £24 billion (39%) during Quarter 2 2020. This Quarter 2 2020 increase was partly explained by the wider recovery in equity markets.

Between the ends of Quarter 4 2019 and Quarter 2 2020, the value of the FTSE 250 index fell by 22%, comprising a decline of approximately 31% from 31 December 2019 to 31 March 2020 and a partial recovery of 13% from 31 March to 30 June 2020. This FTSE 250 trend, when compared with the trend observed in the FSS 266 results, suggests that the changes in OFIs' holdings of listed equity assets may not be completely explained by variations in stock market valuations alone, hence a change in volume likely also took place.

Assets held in unlisted equity display limited changes in value when compared with changes in listed equity. The lower variation in the value of unlisted equity assets, during this period, compared with listed equity, is consistent with a higher standard deviation in the value of listed equity assets observed since 1990. During Quarter 1 2020, assets held in unlisted equity grew by £17 billion (2%) and, during Quarter 2 2020, grew by a further £15 billion (1%). Holding companies held more than 90% of OFIs' unlisted equity assets, and this is to be expected given their need to hold controlling levels of ownership in their subsidiary companies.

## Non-bank lending to households

OFIs' [non-bank lending to households](#) was largely stable between Quarter 4 (Oct to Dec) 2019 and Quarter 1 2020, before declining in Quarter 2 2020. This Quarter 2 2020 finding appears to be broadly consistent with the [decline in credit available to households from banks and building societies](#), as reported by the Bank of England. The non-FSS 266 experimental statistics shown in Table 2 suggest that the level of OFIs' non-bank lending to households remained stable in Quarter 3 2020.

In order to assess the stock of OFIs' non-bank lending (that is lending from UK lenders other than banks or building societies) to households, growth rates have been compared across three experimental balance sheet statistics sources:

- Office for National Statistics (ONS) [Financial Services Survey 266 \(FSS 266\)](#)
- Office for National Statistics (ONS) [Monthly Credit Grantors Survey \(MCG\)](#)
- commercial data supplier

The commercial data source consists of anonymised borrowing data, supplied to the ONS under contract, on the stock of consumer loans made by OFIs to households. The commercial supplier currently collects data on the stock of loans to households from a wider range of companies than either the FSS 266 or MCG, making direct comparisons difficult as the total stock levels differ. To enable quarterly comparisons to be made, the sources are compared in percentage growth terms. The three sources of experimental statistics on non-bank lending are compared in Table 2.

Table 2: Quarter-on-quarter percentage changes in total non-bank loan assets to households

	2019Q4 to 2020Q1	2020Q1 to 2020Q2	2020Q2 to 2020Q3
<b>Commercial data source</b>	-0.2%	-5.6%	0.0%
<b>Monthly Credit Grantors Survey</b>	-0.4%	-4.2%	2.8%
<b>Financial Services Survey</b>	0.2%	-6.8%	Not applicable

Source: Office for National Statistics – Financial Services Survey 266 and other experimental statistics sources

All three sources suggest that non-bank lending to households was broadly stable between Quarter 4 2019 and Quarter 1 2020, before declining in Quarter 2 2020. The commercial data supplier's stock of OFIs' non-bank lending to households was unchanged in Quarter 3 2020. During Quarter 3 2020, the MCG shows a moderate increase in non-bank lending to households of approximately 3%. The equivalent statistic from the FSS 266 is unavailable for Quarter 3 2020 but will be published in the next article in this series.

## Other assets and liabilities

Between Quarter 4 2019 and Quarter 2 2020, other assets increased by £39 billion (15%) from £252 billion to £290 billion. Other financial institutions' Quarter 2 2020 other assets declined from their Quarter 1 2020 high of £311 billion. In both cases, the movement in other financial institutions' other assets was dominated by securities dealers' holdings of other assets.

The largest components of other financial institutions' other assets and liabilities are [other accounts receivable and other accounts payable](#) (AF.8). Other financial institutions' other assets and liabilities, including other accounts receivable and other accounts payable respectively, can be thought of as a form of credit being extended and incurred.

In terms of other accounts receivable (assets), the FSS 266 includes questions on:

- "goods and services that you have paid for, but not yet received"
- "goods or services that you have provided to customers, but have not yet received payment for"

For other accounts payable (liabilities), the FSS 266 includes questions on:

- "goods and services that you have received payment for, but not yet delivered to customers"
- "goods and services that you have received, but not yet paid for"

## Factoring

Factoring is a financial transaction in which a business sells its accounts receivable (that is, its invoices) to a third party (called a factor) at a discount, enabling the business to meet its current need for liquidity. During Quarter 1 2020, factoring assets and liabilities declined by £3 billion (29% and 26% respectively) from £11 billion and remained at £8 billion in Quarter 2 2020. Despite the current low levels of factoring, it is an interesting financial indicator to monitor as it may provide a guide to OFIs' need for short-term liquidity.

## Securities dealers on own account

Unlike the other 19 [Standard Industrial Classifications](#) (SICs) sampled by the FSS 266, experimental statistics on [securities dealers on own account](#) (SIC 64991) are also available from the FSS 266 for Quarter 3 2020. Securities dealers' total financial assets in Quarter 3 2020 were £2.4 trillion compared with £2.1 trillion pre-coronavirus (Quarter 4 2019). In Quarter 1 2020, securities dealers' total financial assets increased sharply to £2.7 trillion, likely because of activities linked to the coronavirus pandemic.

Much of the change observed in securities dealers' assets was because of derivatives. From Quarter 4 2019 to Quarter 3 2020, derivatives holdings increased by £0.3 trillion, reaching £1.3 trillion, compared with £1 trillion in Quarter 4 2019. This follows an initial sharp increase in securities dealers' derivatives assets of 50% in Quarter 1 2020, reaching £1.5 trillion, and a subsequent decline of £0.1 trillion in both Quarter 2 2020 and Quarter 3 2020.

## 3 . Other financial institutions' experimental financial balance sheet data

[Return of assets and liabilities, Financial Services Survey 266](#)

Dataset | Released 8 February 2021

Quarterly data from the Financial Services Survey (FSS 266) return of assets and liabilities, including derivatives. These are Experimental Statistics.

## 4 . Glossary

### Non-bank financial intermediaries

Non-bank financial intermediaries (NBFIs) is the Standard Industrial Classification (SIC) group used in the Financial Services Survey (FSS 266) Experimental Statistics articles for those SICs that are sampled by the FSS 266 and map to the [European System of Accounts 2010 \(ESA 2010\)](#) other intermediaries (S.125) financial sub-sector. These are financial institutions involved in financial intermediation activities that are not banks or building societies.

### Financial adjuncts

Financial adjuncts (FAs) is the Standard Industrial Classification (SIC) group used in the Financial Services Survey (FSS 266) Experimental Statistics articles to aggregate the financial auxiliaries SICs that are sampled by the FSS 266. The European System of Accounts 2010 (ESA 2010) financial auxiliaries subsector (S.126) consists of all financial corporations and quasi-corporations that are principally engaged in activities closely related to financial intermediation, but which are not financial intermediaries themselves. Financial auxiliaries act on behalf of other units and do not put themselves at risk by incurring financial liabilities or by acquiring financial assets as part of an intermediation service. Examples of financial auxiliaries include brokers and investment fund managers.

One notable difference between the FSS 266 and the definition of the ESA 2010 financial auxiliaries subsector (S.126), is that the FSS 266 does not collect data on financial head offices, which are, however, included within the ESA 2010 definition of S.126. Head offices fall within the SIC code 70.10 and so fall outside of the 20 financial SICs sampled by the FSS 266. So even though the sub-set of head offices, which are financial head offices, are included in ESA 2010 S.126 they fall outside the SIC-based sampling scope of the FSS 266.

### Non-bank holding companies

Non-bank holding companies is the Standard Industrial Classification (SIC) grouping used to aggregate all the non-bank holding companies SICs sampled by the Financial Services Survey (FSS 266). Data on bank holding companies are collected separately by the Bank of England. Holding companies hold the assets of a group of companies, but do not undertake any management activities with respect to the group. They fall into the European System of Accounts 2010 (ESA 2010) financial sub-sector captive financial institutions and money lenders (S.127).

According to ESA 2010 (2.98): "Captive financial institutions and money lenders subsector (S.127) consists of all financial corporations and quasi-corporations which are neither engaged in financial intermediation nor in providing financial auxiliary services, and where most of either their assets or their liabilities are not transacted on open markets."

### Non-banking lending to households



Lending extended from financial corporations, excluding banks and building societies, to private individuals.

### **Money market fund shares and units**

Money market fund shares and units are highly liquid financial instruments. These funds invest, primarily, in short-term debt securities such as treasury bills, certificates of deposit, and commercial paper. Therefore, their shares and units are close substitutes for deposits.

### **Securities dealing on own account**

Securities dealing on own account is an activity identified in the [UK Standard Industrial Classifications of Economic Activities](#) (SICs). It includes dealing for own account by securities dealers, activities of Stock Exchange money brokers, activities of inter-dealer brokers, dealing in financial futures, options and other derivatives for own account, dealing in commodities for investment purposes. There is significant overlap between securities dealing on own account, and investment banking.

## **5 . Data sources and quality**

The [Financial Services Survey](#) (FSS 266) samples 20 of the UK's 34 [Standard Industrial Classification](#) (SIC) financial codes and therefore captures a wider range of financial activities than the combined traditional financial sectors of banking, insurance, pension funds and investment funds. Readers wishing to explore the FSS 266 [experimental statistics](#) further are invited to consult [previous FSS 266 experimental statistics articles](#).

As part of the [joint Flow of Funds project between the ONS and the Bank of England](#), in May 2018 the Office for National Statistics (ONS) announced a series of articles that would provide separate experimental balance sheet statistics for each of the [European System of Accounts 2010 \(ESA 2010\)](#) financial sub-sectors S.123 to S.127 (investment and other financial institutions):

- S.123 Money market funds
- S.124 Non-money market funds
- S.125 Other financial intermediaries
- S.126 Financial auxiliaries
- S.127 Captive financial institutions and money lenders

Other financial institutions (S.125 to S.127) encapsulate all financial corporations whose activities are not banking (S.121 to S.122), investment funds (S.123 to S.124), insurance corporations (S.128) or pension funds (S.129). An important feature of other financial institutions is that they cover a wide range of heterogenous activities, however, their financial asset holdings are dominated by securities dealers and holding companies.

There are 21 Standard Industrial Classification (SIC) codes that approximately map to the ESA 2010 financial subsectors S.125 to S.127. The FSS 266 samples 20 of these 21 SIC codes. Data for the other SIC, 64922 (Activities of mortgage finance companies), are collected separately by the Bank of England. The approximate mapping of these 20 FSS SIC codes to ESA 2010 sub-sectors were described in the [ONS Shadow Banking Introductory article](#).

For presentation purposes, the experimental statistics for the 20 SIC codes sampled by the FSS 266 have been aggregated into three SIC groups:

- [Non-Bank Financial Intermediaries](#) (for example, non-bank lending activities)
- [Financial Adjutants](#) (for example, brokers, consultants or advisors)
- [Non-Bank Holding Companies](#)

These three SIC groups are used in preference to the ESA 2010 financial sub-sectors to emphasise that the FSS 266 does not provide full coverage of the financial sub-sectors S.125 to S.127. For example, the FSS 266 only samples non-bank holding companies within S.127 captive financial institutions and money lenders, whereas data on bank holding companies are collected separately by the Bank of England.

The FSS 266 experimental statistics have been supplemented by commercially supplied data on the stock of non-bank lending to households. Data on the stock of non-bank lending from the [ONS Monthly Credit Grantors Survey](#) are also presented which, along with the other two sources, provides three separate measures of the stock of non-bank lending to households.

It should be noted, in the context of the coronavirus pandemic, the number of responses received to the FSS 266 from Quarter 1 2020 onwards have been lower than normal. A lower response rate requires more missing values to be imputed, hence making them more likely to be subject to revision.

## End of EU exit transition period

As the transition period ends and the UK enters into a new Trade and Cooperation Agreement with the EU, the UK statistical system will continue to produce and publish our wide range of economic and social statistics and analysis. We are committed to continued alignment with the highest international statistical standards, enabling comparability both over time and internationally, and ensuring the general public, statistical users and decision makers have the data they need to be informed.

As the shape of the UK's future statistical relationship with the EU becomes clearer over the coming period, ONS is making preparations to assume responsibilities that as part of our membership of the EU, and during the transition period, were delegated to the statistical office of the EU, Eurostat. This includes responsibilities relating to international comparability of economic statistics, deciding what international statistical guidance to apply in the UK context and to provide further scrutiny of our statistics and sector classification decisions.

In applying international statistical standards and best practice to UK economic statistics, we will draw on the technical advice of experts in the UK and internationally, and our work will be underpinned by the UK's well-established and robust framework for independent official statistics, set out in the Statistics and Registration Service Act 2007. Further information on our proposals will be made available early this year.

## 6 . Future developments

The term [experimental statistics](#) means that the FSS 266 and other contributing sources are "under active development" and are not directly comparable with UK National Accounts statistics, such as The Blue Book. For example, there are small improvements in the Quarter 1 2020 experimental statistics presented in this article compared with those published in [previous FSS 266 experimental statistics articles](#). The experimental balance sheet statistics have been produced outside of current processing of the national accounts and will likely be revised prior to inclusion in future annual national accounts.

We will continue to evaluate the FSS 266 [experimental statistics](#) and other experimental statistics sources with the aim of incorporating them into the UK National Accounts. These experimental estimates are subject to change as we develop, quality assure and integrate these data into the national accounts. For more information on the ONS FSS 266, see [Financial Services Survey](#).

We welcome feedback on this article. If you would like to share your views with us, please email [flowoffundsdevelopment@ons.gov.uk](mailto:flowoffundsdevelopment@ons.gov.uk).

## 7 . Related links

### [UK financial accounts experimental statistics flow of funds matrices: 2020](#)

Article | Released 7 December 2020

The latest experimental UK whom-to-whom matrices, covering annual data for 2016, 2017 and 2018. This includes progress to improve quality, coverage, granularity and counterparty information.

### [Economic Statistics Transformation Programme: enhanced financial accounts \(UK flow of funds\) – shadow banking introductory article](#)

Article | Released 1 May 2018

This article introduces ONS plans to improve coverage of the financial sub-sectors S.123 to S.127 using the Financial Services Survey and other sources.

### [European System of Accounts 2010 \(ESA 2010\)](#)

Eurostat

### [ONS Guide to Experimental Statistics](#)

Methodology

Frequently asked questions about statistics in development.

### [Flow of Funds archived background information](#)

Methodology

### [Institutional sectors and financial instruments](#)

Article | Released 7 November 2019

Explanatory notes for the institutional sectors and financial instruments referred to UK flow of funds accounts matrices: 2019, as part of the Economic Statistics Transformation Programme.