Statistical bulletin

The UK national balance sheet estimates: 2012

Annual estimates of the market value of financial and non-financial assets for the UK, providing a measure of the nation's wealth.

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1 . Key points

- UK total net worth at the end of 2011 was valued at £6.8 trillion, an increase of 3.3 per cent from 2010
- UK total net worth was equivalent to approximately £110,000 per head of population in 2011
- Households and non-profit institutions serving households (NPISH), with a total net worth of £7.0 trillion, continued to be the sector with the highest total net worth. The most valuable assets in this sector were dwellings (£4.1 trillion), insurance technical reserves (£2.2 trillion) and currency and deposits (£1.3 trillion)
- Central government total net worth was -£763 billion at the end of 2011, a decrease of nearly 40 per cent compared with 2010
- Due to changes announced in The Improvements to the Non-Financial Balance Sheet, figures in this bulletin are not comparable with those published in previous years. Care is also needed when comparing years after 2005. See the introduction chapter and background note 7 - IFRS for further details

2 . Introduction

This annual bulletin provides estimates of the market value of financial and non-financial assets in the United Kingdom for 2011. This is a measure of the wealth of the UK and is available by sector and type of asset. The data are used to monitor economic performance, inform monetary and fiscal policy decisions as well as for international comparisons. This bulletin was previously named non-financial balance sheets.

The article Improvements to the Non-Financial Balance Sheet was published in February 2012 and explains the changes to the national balance sheet data in this bulletin. The main change, to align with the European System of Accounts 1995 (ESA1995), is the removal of non-marketable tenancy rights from the balance sheet; which has had the effect of reducing UK net worth by around £600 billion.

Another change is the presentation of the figures to ensure consistency with ESA1995. More detail on these changes is available in the background notes section towards the end of this bulletin.

Non-financial assets include both tangible and intangible assets. Tangible assets consist of property, machinery and equipment, agricultural assets, vehicles, certain types of farming stocks (mainly dairy cattle and orchards) and military equipment whose use is not solely destructive. Intangible assets consist of the value of computer software, patents, mineral exploration and artistic originals.

Financial assets comprise means of payment, financial claims, such as loans, and economic assets, which are close to financial claims in nature, for example shares. Each financial asset has an equivalent liability, with the exception of monetary gold and special drawing rights.

The data set for this bulletin is available in the accompanying spreadsheet as well as in Chapter 10 of the United Kingdom National Accounts: Blue Book. Background notes are toward the end of this bulletin and provide information on coverage, quality and how to use the data. Changes in methodology and in international accounting standards are also explained in these notes and are important to assist with the interpretation of this dataset.

3 . 2012 User feedback survey: National balance sheet

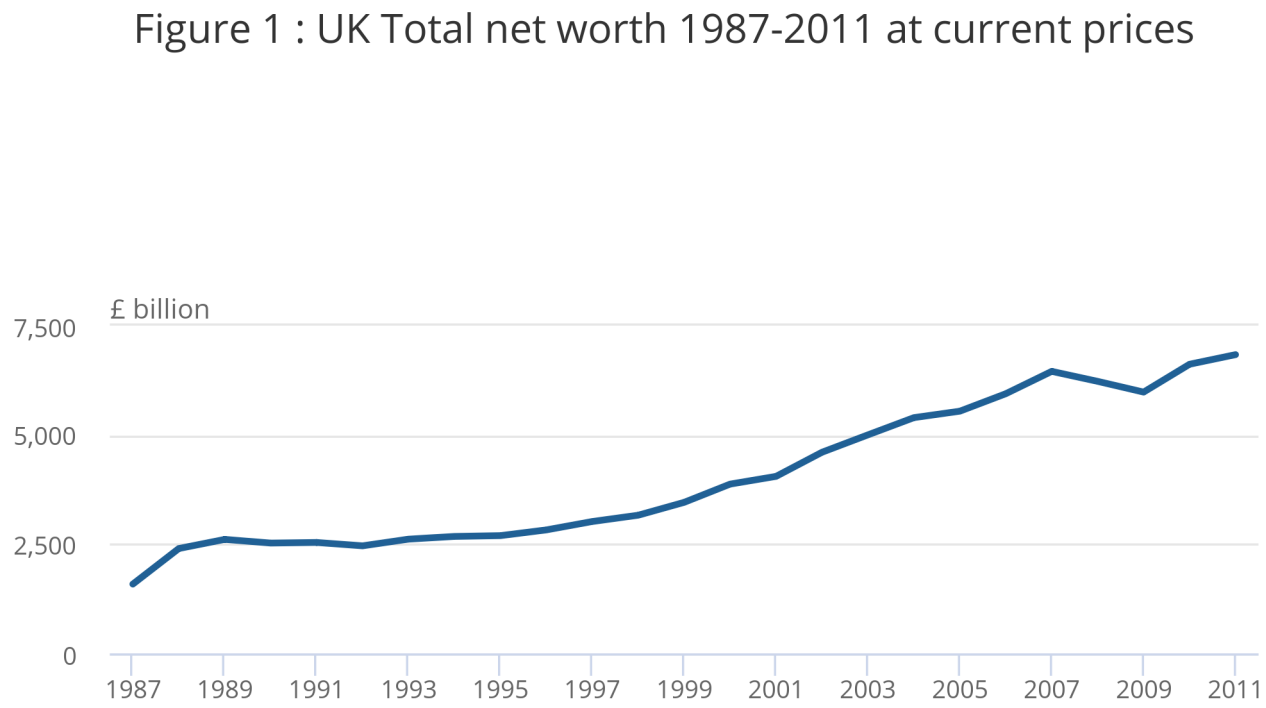
Accompanying this release is an opportunity to comment on ‘The National Balance Sheet’ by completing our user feedback survey.

4 . Total net worth

UK total net worth at the end of 2011 was valued at £6.8 trillion, an increase of 3.3 per cent from 2010. UK total net worth more than doubled in the 20 years from 1991 to 2011.

UK total net worth was equivalent to approximately £110,000 per head of population in 2011.

Figure 1 : UK Total net worth 1987-2011 at current prices



Source: Office for National Statistics

5 . National balance sheet: analysis by sector

Table 1 : UK total net worth by sector, at end 2011 (£ billion)

£ billion

Sector	Net worth
Households and NPISH	7,044.50
Non-financial corporations	76.2
Financial corporations	-24.8
General government	-259.3
Of which: Central government	-762.9
Of which: Local government	503.6
Total	6,836.60

Source: Office for National Statistics

Households and non-profit institutions serving households (NPISH) sector

The households and NPISH sector had a total net worth of £7.0 trillion in 2011, making it the sector with the highest total net worth. NPISH consists of organisations such as charities, universities, churches and trade unions, who provide services to households free or at non-economically significant prices. The most valuable assets in this sector were dwellings (£4.1 trillion), insurance technical reserves (£2.2 trillion) and currency and deposits (£1.3 trillion).

Non-financial corporations

The non-financial corporations sector had a total net worth of £76.2 billion in 2011, a rise of £182.5 billion compared with 2010. This increase was mainly due to an increase of 16 per cent in the value of other structures and an 8 per cent increase in the value of currency and deposit assets. The change in other structures is mainly due to the change in international accounting standards as described in background note 7.

Financial corporations

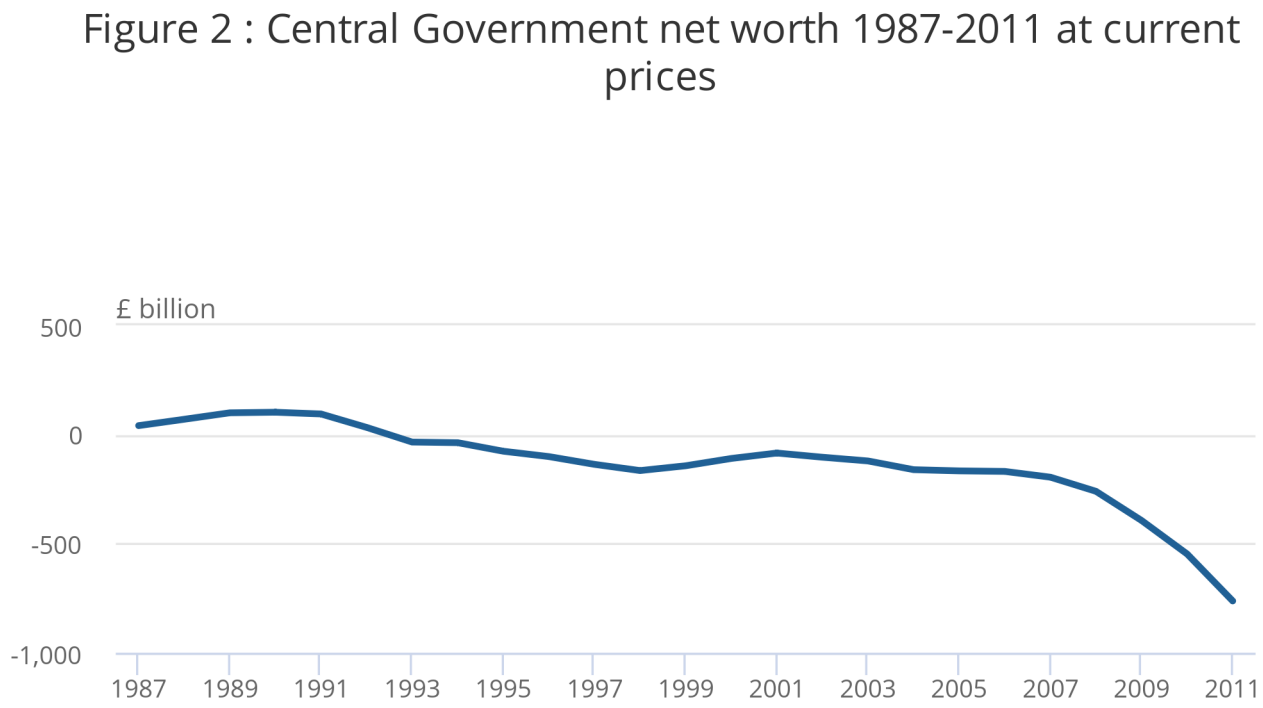
The financial corporations sector had a total net worth of -£24.8 billion in 2011. Although remaining negative, the total net worth of financial corporations has risen from -£244.8 billion in 2010. This was mainly due to a net £356 billion increase in the assets of ‘securities other than shares’ such as derivatives. A similar increase took place in 2008 when banks sharply increased their derivative positions due to the financial turmoil.

General government

The total net worth of the government sector decreased to -£259.3 billion at the end of 2011. Since the end of 2010, there has been a decrease of £241.7 billion in the value of financial assets, mainly due to central government's increased liabilities in 'securities other than shares'. The decrease in financial assets for central government has been partly offset by an increase of £48.7 billion in the value of non-financial assets, mainly due to revaluations of other buildings and structures.

Figure 2 below shows that central government's total net worth was -£763 billion in 2011, a decrease of nearly 40 per cent on the previous year and more than four times less than its total net worth in 2006.

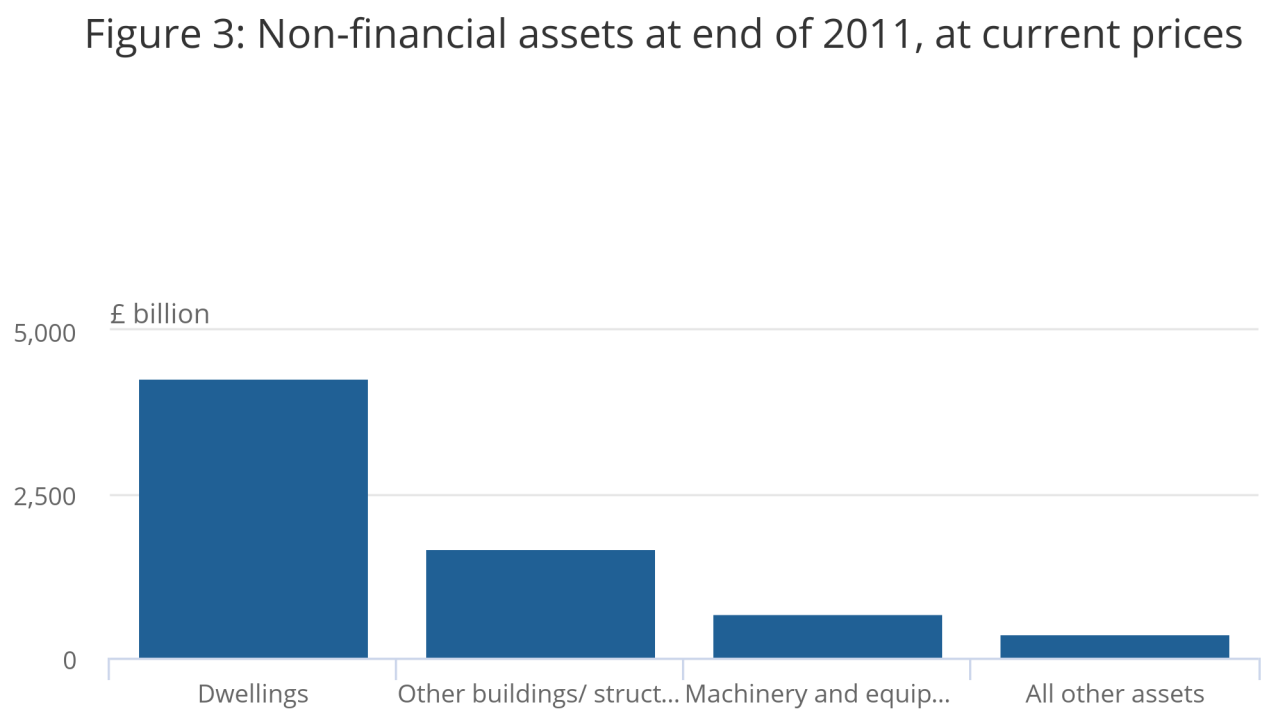
Figure 2 : Central Government net worth 1987-2011 at current prices



Source: Office for National Statistics

6 . National balance sheet: analysis by type of asset

Figure 3: Non-financial assets at end of 2011, at current prices



Source: Office for National Statistics

Notes:

1. All other assets include cultivated assets, other intangible fixed assets, inventories and non-produced assets

Dwellings

Dwellings are the most valuable asset in the UK. They have steadily increased in value in recent years, except for a fall in 2008, and are now worth over three times as much as 20 years ago. The household and NPISH sector accounts for 95 per cent of this asset's value. The increase in the value of residential buildings was driven by changes in the market values placed on these assets. The recent slowdown in the property market is reflected by the modest increase in the value of this asset compared with recent years.

Other buildings and structures

The value of other buildings and structures increased by 5 per cent in 2011 compared with 2010. Care should be taken when comparing these data over time as changes may reflect revaluations due to reporting standards rather than real change in asset values. See background note 7 on interpreting the data for more information.

Machinery and equipment

The rise in the value of this asset has been primarily due to a £14.6 billion increase in the value of plant and machinery, continuing its rise. This has been offset by a £7.9 billion decrease in the value of transport equipment. The value of transport equipment has fallen due to the impact of the economic downturn on the shipping industry as well as the result of lower aircraft sales following the removal of the zero-rating of VAT on qualifying aircraft at the end of 2010.

Table 2 : Financial assets, end 2011, at current prices (£ billion)

£ billion

	Asset value	Liability value	Net value
Monetary gold and SDRs	19	-	19
Currency and deposits	6,709	6,942	-233
Securities other than shares	11,282	11,416	-134
Loans	4,314	4,511	-197
Shares and other equity	3,995	3,641	353
Insurance technical reserves	2,222	2,231	-9
Other accounts receivable	417	414	3
Total	28,958	29,155	-196

Source: Office for National Statistics

Notes:

1. Figures may not add due to rounding

2. SDR = Special drawing rights

3. - = not applicable

Currency and deposits and loans

All sectors saw an increase in currency and deposits assets between 2010 and 2011. All sectors except government showed a fall in the value of loan assets for the same period.

Securities other than shares

These are the financial assets and liabilities with the largest value and include items such as derivatives. Activity in these types of financial products increases with uncertainty on the financial markets. The value of both assets and liabilities increased by more than 20 per cent between 2010 and 2011. This reflects the economic uncertainty.

7 . Economic context

The total net worth of the United Kingdom at the end of 2011 was valued at £6.8 trillion, an increase of 3.3 per cent from 2010. Throughout 2011 the UK economy experienced a sluggish recovery from the financial crisis and elevated inflation as a result of rising world commodity prices and VAT increases. Difficult global economic conditions also contributed to the fragile state of the economy as foreign demand for British goods remained subdued.

Households and NPISH is the largest sector of UK total net worth and throughout 2011 households faced a particularly difficult situation. Household spending power was reduced markedly as inflation increased at twice the rate of wages, reducing the amount that consumers could purchase with their income. Consumer Prices Index (CPI) annual inflation rose by 4.5 per cent while average weekly earnings only increased by 2.4 per cent.

The labour market also remained fragile, unemployment rose to 8.1 per cent in 2011 up from 7.8 per cent in 2010. This contributed towards subdued consumer confidence and consequent reluctance of consumers to spend money. Over half of household wealth can be attributed to dwellings; house prices stagnated during 2011 after a mild recovery in 2010 from a pronounced fall during the financial crisis.

Despite falling interest rates making mortgages more affordable, access to finance was limited, consumers tried to reduce levels of previous debt and confidence was subdued, resulting in a shortfall in the demand for housing.

The largest downward pressure to UK total net worth by sector was provided by general government, of which central government was the largest contributor. The decline in central government total net worth can mainly be attributed to increased liabilities due to the number of government bonds issued to fund government spending.

Due to a marked contraction of the economy during the recession the amount of tax collected over the past three years has been considerably less than the spending outlined. This shortfall has been mainly funded by the issuing of government bonds which have increased central government liabilities and consequently reduced UK total net worth.

Despite the poor position of households and increase in government liabilities, UK total net worth increased during 2011. That said, price pressures were strong throughout the year according to both the Consumer Prices and Producer Price indices. Therefore despite the increase in wealth, some of this might be attributed to price increases during the period as headline figures are presented in current prices.

. Background notes

1. In addition to the information below, further information is available in the balance sheet quality report.

2. The national balance sheet data are previously published in Chapter 10 of the United Kingdom National Accounts: Blue Book.

3. The population estimate used to derive net worth per head is consistent with the 2010 mid-year population estimates, at 62 million, published on the ONS website.

4. The net worth estimates of the UK economy exclude ‘human capital’, that is the value of knowledge, skills and know-how, and ‘environmental or natural capital’. Further information on human capital is available from the ONS website.

5. **What's new?**

   The article Improvements to the Non-Financial Balance Sheet was published in February 2012 and explains the changes to the national balance sheet data in this bulletin.

   The main change to the data is the removal of non-marketable tenancy rights from the balance sheet. Non-marketable tenancy rights are the difference between the value of a vacant property and that of a property with a lease-holding tenant. Estimates for non-marketable tenancy rights no longer contribute to the net worth as they do not meet the definitions of an economic asset defined in the European System of Accounts 1995 (ESA95). Property with a tenant has a lower market value as the rights of the tenant place a constraint on the use of the property. In previous publications, the difference in value between these has been attributed to the tenant as an asset, even though it is an asset the tenant cannot sell. These rights

were previously recorded as intangible assets for the Households and Non-Profit Institutions Serving Households (NPISH) sector. Deducting the value of non-marketable tenancy rights from the households and NPISH sector has reduced the net worth of the UK economy by approximately £600 billion.

Following international guidelines, the treatment of the sale of phone licenses the electro-magnetic spectrum has been reclassified from a tangible asset to an intangible non-produced asset. This reclassification has no impact on the value of total net worth.

Another change is the presentation of the figures to ensure consistency with the ESA95. ESA95 identifies the main categories of non-financial assets as produced and non-produced assets, where the previous balance sheets focused on tangible and intangible assets. The figure below shows the change in category titles.

Table 3 : Changes to the categories used in the balance sheet

Old title	Code	New title
Non-financial assets	AN	Non-financial assets
Tangible assets	AN.111	Tangible fixed assets
Residential buildings	AN.1111	Dwellings
Agricultural assets	AN.1114	Cultivated assets
Commercial, industrial and other buildings	AN. 11121	Non-residential buildings
Civil engineering works	AN. 11122	Other structures
Plant and machinery	AN. 11132	Plant and machinery
Vehicles, including ships, aircraft etc	AN. 11131	Transport equipment
Inventories	AN.12	Inventories
Spectrum	AN.229	Other intangible non-produced assets
Intangible assets	AN.112	Intangible fixed assets
Non-marketable tenancy rights	n/a	n/a
Other intangible assets	AN.1129	Other intangible fixed assets

Source: Office for National Statistics

6. **Understanding the data**

   Short guide to the national balance sheet

   The national balance sheet data shows the estimated market value of financial and non-financial assets, that is, what these assets would realise if sold at market value.

   Non-financial assets include both tangible and intangible assets. Tangible assets consist of property: plant and machinery; agricultural assets; vehicles; and also include certain types of farming stocks (mainly dairy cattle and orchards) and military equipment whose use is not solely destructive. Intangible assets consist of the value of computer software, patents, mineral exploration and artistic originals.

   Financial assets comprise means of payment, financial claims, such as loans, and economic assets which are close to financial claims in nature, for example shares. Each financial asset has an equivalent liability, with the exception of monetary gold and special drawing rights.

7. **Interpreting the data**

   International Financial Reporting Standards

   Between 2005 and 2013, UK companies are moving to produce their accounts in line with the new International Financial Reporting Standards (IFRS). This new accounting standard replaces the previous Generally Accepted Accounting Practices (GAAP) and is designed to simplify international accounting comparisons. The Financial Reporting Advisory Board (FRAB) in its report '11th Report: Report for the period April 2007 to March 2008' identified several areas where it expected that financial reporting would be materially different using IFRS compared with GAAP. These included accounting for: infrastructure assets, fixed assets and intangible assets.

   In this release the result of UK companies reporting using IFRS has led to an upward revision on the valuation of some assets, such as non-residential buildings, other structures and machinery and equipment. This may be attributable to the change in GAAP valuations from a depreciation model of assets to the new IFRS 'fair value' model in which assets are valued at a price that could be realised on exchange or on settlement of liability. Companies have applied these changes in different years, and there is no obligation to apply IFRS retrospectively, which has led to discontinuities in the data. Therefore it is not advisable to make year-on-year comparisons from 2005. The ONS is currently unable to estimate the impact of the change to IFRS on the national balance sheet due to these discontinuities in reporting methods.

   It should be noted that the UK central government began reporting using IFRS in its 2009/10 annual accounts while local government had a statutory deadline of 30 June 2011 to report using the new standard.

   ONS plans to investigate the differences in reporting standards in the coming months and will publish the findings on its website.

8. **Use of the data**

   The value measures of the national balance sheet estimates are used in private and public sector institutions, the Statistical Office of the European Communities (Eurostat), Bank of England and Her Majesty's Treasury. The data are used to monitor economic performance, inform monetary and fiscal policy decisions as well as for international comparisons.

9. **User survey**

   The Office for National Statistics wants to hear the views of users of this bulletin and dataset. ONS encourages all its users to take part in the short on-line survey. This feedback will help to shape future plans for development.

10. **Comparability**

    The UK aims to produce the national balance sheet to correspond with international standards, namely the System of National Accounts (SNA) and the European System of Accounts (ESA). Following this year's change in presentation, the UK's non-financial assets data has moved into line with international categories. Despite this change, the UK is still unable to produce a complete dataset. The Office for

National Statistics will continue to work to improve the completeness of this dataset as described in the recent article. A full list of non-financial assets, including those that the UK cannot currently provide is available on the Eurostat website.

Both Eurostat and the OECD hold internationally comparable data for both financial and non-financial balance sheets. When comparing between countries, users should ensure that they are comparing figures in the same currency and that there are no definitional differences noted.

11. **Data sources**

Data sources for the compilation of the national balance sheet include:

- Other government departments and agencies
- Annual reports of public corporations and major businesses
- Industry publications
- Chartered Institute of Public Finance and Accountancy report on Local Authority Assets

Where non-financial asset market valuations are not readily available, the UK net capital stocks data modelled in the Perpetual Inventory Method (PIM) within ONS is used as a proxy. For central government, data are taken from returns made by government departments to HM Treasury. Central government assets also include the value of the electro-magnetic spectrum. The spectrum is treated as an intangible non-produced asset and the payments made by the mobile phone companies as rent. Further information can be found in the publication Treatment of the sale of UK 3G Mobile Phone Licenses in the National Accounts - August 2011.

12. **Revisions**

Non-marketable tenancy rights were previously classified as a non-financial asset for the households and non-profit institutions serving households (NPISH) sector. Deducting the value of non-marketable tenancy rights from the households and NPISH sector has revised the total net worth of the UK economy downwards by approximately £600 billion. Further details are available in the article Improvements to the Non-Financial Balance Sheet.

There are several revisions to the data for 2010. This is the result of more up-to-date data being available since last year. A full explanation of the national accounts revision policy is available on the ONS website.

A new source of data on derivatives in the financial assets section of the balance sheet has been incorporated. This has had the effect of increasing the level of financial assets and liabilities for financial corporations. Further details are available in the paper entitled: Improving the coverage of derivatives data in the National Accounts and Balance of Payments.

13. **Correction**

A data processing error was discovered in the data for non-financial corporations for non-residential buildings and other structures. This has led to some minor corrections for the years 2007-2010.

14. **Code of Practice**

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15. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gov.uk