Economic Statistics Transformation Programme: enhanced financial accounts (UK flow of funds) - experimental loans statistics, explanatory notes: 2016

Explanatory notes for the compilation of experimental loans statistics in the enhanced financial accounts (UK flow of funds) matrices publication.

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1 . AF.41– Short-term loans

Introduction

This note explains the sources and methods used in the compilation of the experimental from-whom-to-whom short-term loan statistics. Table 1 shows the estimates for balance sheet assets by sector, together with the counterparty sector, which holds the liability, for 2016. These data are consistent with the UK Economic Accounts (UKEA), on a Blue Book 2017 basis, except where explicitly highlighted.

Office for National Statistics (ONS) will continue the programme of development and quality assurance of these newly released Experimental Statistics and any improvements identified in the wider datasets will be integrated within the national accounts at the earliest opportunity.

We welcome feedback on the data sources and methods outlined in these notes. Any feedback on the Experimental Statistics and accompanying explanatory notes can be sent to flowoffundsdevelopment@ons.gov.uk .

Table 1: From-whom-to-whom balance sheet short-term loans statistics, 2016, £ billion

						Liabilities:					
Assets:	PC	PNFC	MFI	OFI	ICPF	CG	LG	HH	NPISH	RoW	Total
PC											
PNFC											
MFI	2.0	353.7		683.7	21.9	3.5	10.3	150.8	8.7	1097.1	2331.8
OFI											
ICPF											
CG											
LG											
HH											
NPISH											
RoW	0.0	126.1		552.8	34.4	5.2	0.0	29.5	8.2	0.0	756.4
Total	2.0	479.9		1236.6	56.4	8.8	10.3	180.3	16.9	1097.1	

Notes:

1. PC = public corporations, PNFC = private non-financial corporations, MFI= monetary financial institutions, OFI = other financial institutions except MFIs and ICPFs, ICPF = insurance corporations and pension funds, CG = central government, LG = local government, HH = households, NPISH = non-profit institutions serving households, RoW = rest of the world.

Data sources by institutional sector

Estimates for short-term loans relate to the extension and take up of credit between sectors of the UK economy and with the rest of the world. Currently only monetary financial institutions (MFIs) and the rest of the world (RoW) hold short-term loans.

Short-term loans from monetary financial institutions (MFIs)

Short-term loans from MFIs are extended to all the institutional sectors in the UK economy and the rest of the world (RoW). These estimates are predominantly sourced from the Bank of England (the Bank) surveys of MFIs. Prior to 2008, data on loans from building societies were sourced from the Financial Services Authority (FSA) as these institutions were not surveyed by the Bank before this time.

Short-term loans from the rest of the world (RoW)

Short-term loans from RoW are extended to all institutional sectors of the UK economy and predominantly cover direct investment loans and loans from non-resident MFIs. The former is sourced from the foreign direct investment (FDI) surveys and the latter from data compiled by the Bank for International Settlements (BIS). Direct investment loans include both outward and inward investment. Other data sources include Department for Communities and Local Government (DCLG) and the devolved administrations .

2 . AF.42 – Long- term loans

Introduction

This note explains the sources and methods used in the compilation of the experimental from-whom-to-whom long-term loans statistics. Table 2 shows the estimates for balance sheet assets by sector, together with the counterparty sector which holds the liability, for 2016. These data are consistent with the UK Economic Accounts (UKEA), on a Blue Book 2017 basis, except where explicitly highlighted.

The second part of this note describes the data sources for these estimates and outlines areas where the Experimental Statistics differ from what is currently published in the national accounts. These anomalies arise where a number of changes to the input data have been identified and implemented in these experimental statistics, following a review of the construction of the time series. The impact of these differences is small, at minus 1.94% of total loans (assets) in 2016.

Office for National Statistics (ONS) will continue the programme of development and quality assurance of these newly released Experimental Statistics and any improvements identified during this process will be integrated within the national accounts at the earliest opportunity.

We welcome feedback on the data sources and methods outlined in these notes. Any feedback on the Experimental Statistics and accompanying explanatory notes can be sent to flowoffundsdevelopment@ons.gov.uk .

Table 2: From-whom-to-whom balance sheet long-term loans statistics, 2016, £ billion

| | | | | | | | | | | | Liabilities: | |
Assets:	PC	PNFC	MFI	OFI	ICPF	CG	LG	HH	NPISH	RoW	Total	Unknown
PC		0.1				0.0	0.4	0.0		0.7	2.0	0.8
PNFC	0.6			38.5		6.2	0.6	0.0		230.2	276.1	0.0
MFI	0.0	42.2		0.1				1157.0	0.0	1.9	1210.1	8.8
OFI	0.0	195.0		3.8		0.0		168.0		463.0	831.2	1.3
ICPF	0.0	88.8		51.4		0.0	5.6	27.0		11.5	184.3	0.0
CG	1.2	11.3		0.0		0.0	67.9	115.6	8.2	3.1	207.5	0.0
LG	5.7	0.1		0.0		0.5		11.1			17.3	0.0
HH	0.0	2.3		13.5	0.5		0.0	2.4			18.7	0.0
NPISH												0.0
RoW	1.1	338.4		48.6	15.4	0.5	6.5		0.0		448.2	37.7
Total	55.5	679.1		156.0	15.9	7.9	81.2	1481.0	8.2	710.4		
Unknown	46.9	0.8		0.0	0.0	0.8	0.1	0.0	0.0	0.0		

Notes:

1. PC = public corporations, PNFC = private non-financial corporations, MFI = monetary financial institutions, OFI = other financial institutions except MFIs and ICPFs, ICPF = insurance corporations and pension funds, CG = central government, LG = local government, HH = households, NPISH = non-profit institutions serving households, RoW = rest of the world.

Data sources by institutional sector

Estimates for loans relate to the extension and take up of credit between sectors of the UK economy and with the rest of the world. This includes all components of loans published in the UK Economic Accounts: loans secured on dwellings; finance leasing on loans; direct investment loans; and other long-term loans. All sectors can theoretically issue and hold loans, although lending between some sectors is currently assumed to be zero. Monetary financial institution (MFI) loan liabilities are not included in these statistics as they are classified as deposits in line with international standards.

Long-term loans from public corporations (PCs)

Loans from public corporations (PCs) consist of loans to PCs, private non-financial corporations (PNFCs), central government (CG), local government (LG), households (HH), non-profit institutions serving households (NPISH), and the rest of the world (RoW). These data are predominantly sourced from the ONS Public Corporations Survey, with additional data from the Department for Communities and Local Government (DCLG) and the devolved administrations. For the rest of the world, data sources include the Export Credit Guarantee Department (ECGD) scheme and the US Certified Development Company program.

Long-term loans to public corporations (PCs) are an estimate of unsecured loans to public infrastructure companies based on data available in published accounts.

Long-term loans to private non-financial corporations (PNFCs) relate to unsecured lending and are an estimate based on data reported in the public corporations inquiry; a proportion of the loans extended are assumed to be counterpart to PNFCs.

Long-term loans to central government (CG) are predominantly sourced from data reported on the public corporations inquiry. Between Quarter 3 (July to Sept) 2003 and Quarter 1 (Jan to Mar) 2009 this series also includes London and Continental Railways (LCR) adjustment, relating to the Channel Tunnel Rail Link. These were classified as government borrowing under European statistical regulations.

Long-term loans to local government (LG) are sourced from the Department of Transport, Local Government and the Regions (DTLR): a proportion of total long-term local government loans is estimated to be from public corporations.

Long-term loans to households (HH) relate to unsecured lending and are estimated from data collected on the public corporations inquiry.

Long-term loans to the rest of the world (RoW) consist of claims and recoveries on business done under the Export Credit Guarantee Department (ECGD) scheme, as well as loans made under the US certified Development Company program.

Long-term loans from private non-financial corporations (PNFCs)

Long-term loans from PNFCs are loans to public corporations (PCs), other financial institutions (OFIs), central government (CG), local governement (LG), households (HH), non-profit insititutions serving households (NPISH) and rest of the world (RoW). Estimates are based on a range of sources, including the ONS Financial Services Survey (FSS), the ONS' Foreign Direct Investment Survey (FDI), DCLG, the devolved administrations, and counterpart information collected on other sectors. Loans include finance leasing loans, direct investment and unsecured loans.

Long-term loans to public corporations (PCs) are an estimate of the proportion of finance leasing loans extended by PNFCs that will be counterpart to the public corporations sector.

Long-term loans to other financial institutions (OFIs) include unsecured lending. Data collected from factoring companies on their indebtedness to UK clients is included here as this is all assumed to be counterpart to the PNFC sector. This series also includes data collected on the Financial Services Survey (FSS) relating to OFI borrowing; certain elements of these data are assumed to be borrowing from PNFCs.

Long-term loans to central government (CG) relate to finance leasing loans and unsecured lending. A proportion of the total unsecured and finance leasing loans extended by PNFCs are assumed to be counterpart to central government.

Long-term loans to local government (LG) relate to finance leasing loans and other lending, sourced mainly from the Department of Transport, Local Government and the Regions (DTLR).

Long-term loans to households (HH) constitute credit extended by retailers. These estimates are derived from data on repayments and new credit extended, and adjusted to include charges, all taken from the ONS Retail Sales Inquiry. It is assumed that all credit advanced by retailers is to individual customers and therefore the liability of the households sector.

Long-term loans to the rest of the world (RoW) represent direct investment loans, both on the inward and outward side. On the outward side, the data relate to the balances of UK-owned branches and subsidiaries abroad that are due to the UK parent company. On the inward side, the data relate to balances due to foreign-owned branches and subsidiaries resident in the UK from their parent companies. These data are sourced from the ONS Foreign Direct Investment Survey.

Long-term loans from monetary financial institutions (MFIs)

Long-term loans from MFIs are extended to all the institutional sectors in the UK economy and the rest of the world and include finance leasing loans, loans secured on dwellings, and unsecured loans. These estimates are predominantly sourced from the Bank of England (the Bank) surveys of MFIs. Prior to 2008, data on loans from building societies were sourced from the Financial Services Authority (FSA) as these institutions were not surveyed by the Bank before this time.

There are some differences between these [Experimental Statistics](#) and estimates published by the Bank due to differences in the methodology and data sources used for certain series. The Bank and ONS are currently working in conjunction to review all MFI data with a view to bring the two datasets into line with one another in the future where relevant.

Long-term loans from other financial institutions (OFIs)

Long-term loans from OFIs are loans to private non-financial corporations (PNFCs), other financial institutions (OFIs), local government (LG), households (HH), and the rest of the world (RoW). These include unsecured loans, loans secured on dwellings, direct investment loans and finance leasing. These estimates come from a number of different sources, including the FSS, foreign direct investment (FDI), DCLG, the devolved administrations and the Bank.

Long-term loans from insurance corporations and pension funds (ICPFs)

Long-term loans from ICPFs consist of loans to private non-financial corporations (PNFCs), other financial corporations (OFIs), local government (LG), households (HH), and the rest of the world (RoW). These include unsecured lending, loans secured on dwellings and direct investment loans. These estimates are predominantly sourced from the ONS surveys of insurance corporations and pension funds, FDI, DCLG and the devolved administrations.

Long-term loans from central government (CG)

Long-term loans from CG consist of loans to public corporations (PCs), private non-financial corporations (PNFCs), local government (LG), households (HH), and the rest of the world (RoW). These include both unsecured lending and loans secured on dwellings. Data are sourced predominantly from administrative data from government accounts. From 2010 these series include loans transferred to public ownership following the reclassification of certain banks. Other data sources include FDI, DCLG and the devolved administrations.

Long-term loans from local government (LG)

Long-term loans from LG include loans to public corporations (PCs), private non-financial corporations (PNFCs) and households (HH). These are unsecured lending and loans secured on dwellings. Data are predominantly sourced from DCLG, the devolved administrations and the Public Corporations Survey.

Long-term loans from households (HH)

Long-term loans from households include loans to public corporations (PCs), private non-financial corporations (PNFCs), other financial institutions (OFIs), insurance corporations and pension funds (ICPFs), local government (LG) and intra-sector loans to other households. These all cover unsecured lending and are sourced from a number of different data sources, including the FSS, ONS surveys of insurance corporations and pension funds, DCLG and the devolved administrations.

Long-term loans from the rest of the world (RoW)

Long-term loans from RoW are extended to all institutional sectors of the UK economy and predominantly cover direct investment loans and loans from non-resident MFIs. The former is sourced from the FDI and the latter from data compiled by the Bank for International Settlements (BIS). Direct investment loans include both outward and inward investment. Other data sources include DCLG and the devolved administrations.

Differences between these experimental statistics and the UK Economic Accounts

As described in the first part of this note (see section 2 "Introduction"), there are differences between the experimental long-term loan statistics and the estimates published in the UK Economic Accounts (UKEA). Table 3 presents a list of those series for which there are anomalies, along with a brief explanation of the variation.

ONS will continue the programme of development and quality assurance of these newly released Experimental Statistics. Any improvements identified during this process will be integrated within the national accounts at the earliest opportunity.

Table 3: Differences between the experimental long-term loans statistics and the UK Economic Accounts

Asset sector	Liability sector	Explanation
PC	PNFC	An adjustment has been made to the experimental statistics to remove negative values not seen in the higher-level UKEA aggregates.
PC	CG	An adjustment has been made to the experimental statistics to remove negative values not seen in the higher-level UKEA aggregates.
MFI	MFI	Finance leasing was included in UKEA estimates, and reclassified to deposits in the experimental series.
OFI	MFI	Finance leasing was included in UKEA estimates, and reclassified to deposits in the experimental series.
RoW	MFI	Some series classified as loans in the UKEA estimates have been reclassified to deposits in the experimental statistics.