Office for National Statistics

Compendium

Chapter 03: Non-financial corporations

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Table of contents

1 . Non-financial corporations

Non-financial corporations produce goods and services for the market and do not, as a primary activity, deal in financial assets and liabilities.

This sector includes, for example, retailers, manufacturers, utilities, business service providers (such as accountancy and law firms), caterers, haulage companies, airlines, construction companies and farms.

The non-financial sector is broken down into two sub-sectors:

- public sector non-financial corporations
- private sector non-financial corporations

Tables 3.2.1 to 3.2.9 (461 Kb Excel sheet) relate to public non-financial corporations, which are government owned trading businesses.

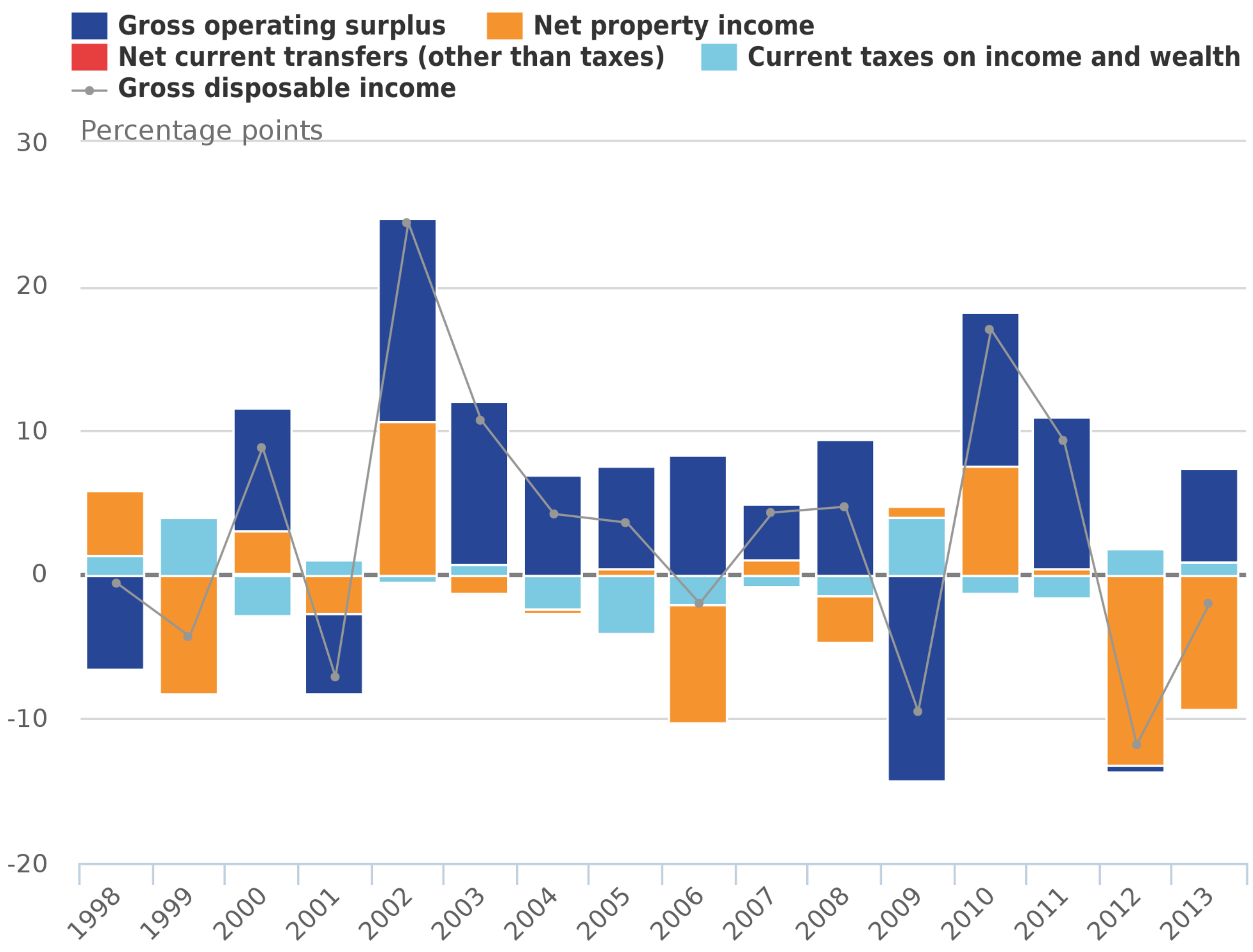
Further information on sector classifications and classification decisions can be found in the National Accounts Classification section of the Office for National Statistics (ONS) website.

2 . Private non-financial corporations at a glance

Gross operating surplus of corporations (company gross trading profits plus rental of buildings less holding gains of inventories) account for the majority of private non-financial corporations (PNFC) primary resources, supported by some additional property income (such as interest received on investments and reinvested earnings on foreign direct investment). However property income paid (primarily dividends that are paid by PNFCs) has exceeded property income received for the period 1997 to 2013.

Figure 3.1 shows the contributions of certain resources and uses to total gross disposable income growth in the PNFC sector. Rising gross operating surplus supported positive disposable income growth over the decade prior to the downturn, with the exception of 1998, 1999 and 2001. Disposable income fell quite sharply over the economic downturn due to lower profits, and has fallen in 2012 and 2013 as a result of property income paid exceeding property income received to a greater extent than previous years. In the most recent year, this was driven by a 5.5% rise in dividend payments.

Figure 3.1: Contributions to annual growth in PNFC gross disposable income (percentage points)

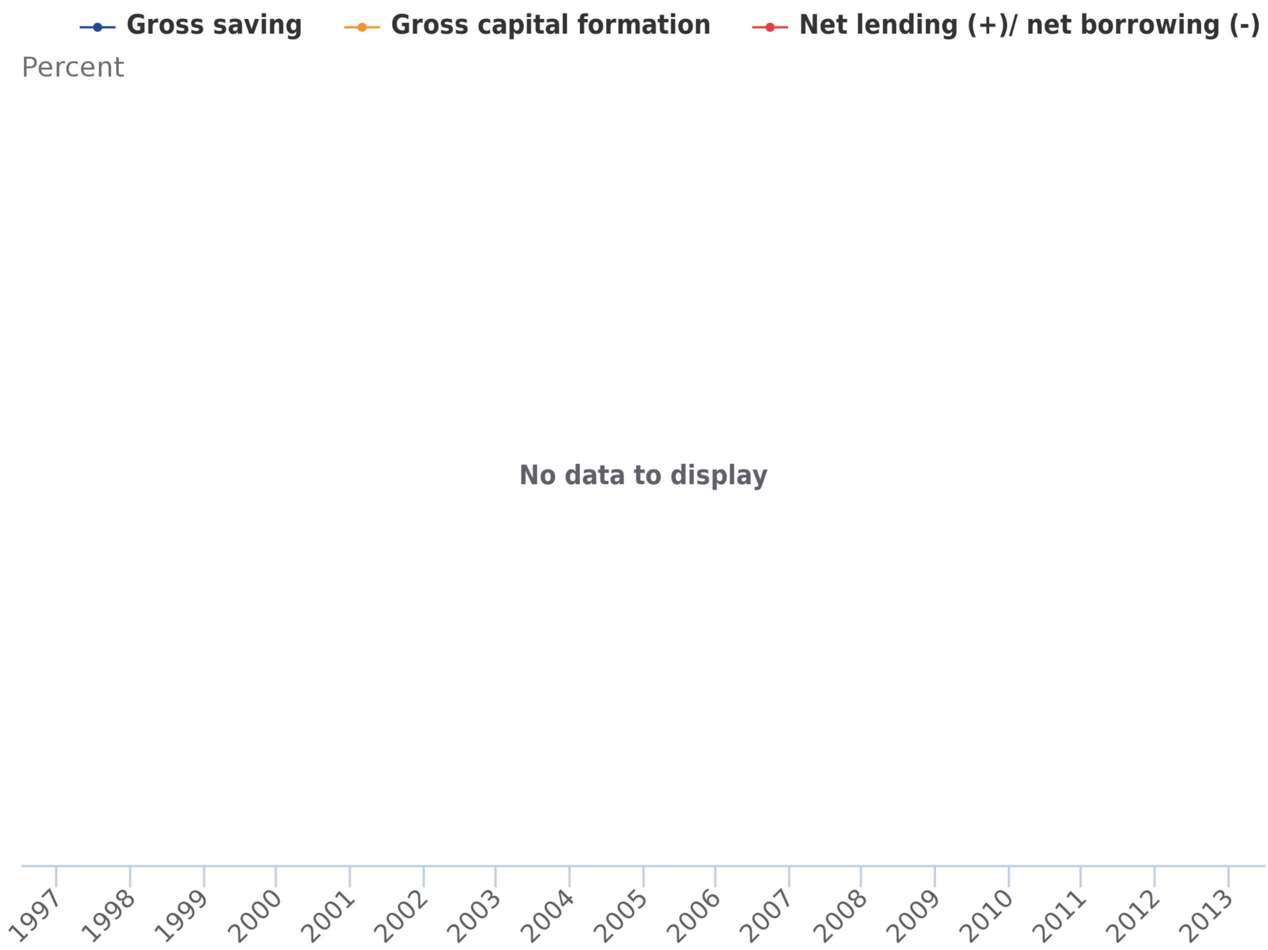


Source: Office for National Statistics

In the PNFC sector, gross saving equates to gross disposable income (the two terms are interchangeable for this sector). Gross saving equates to retained profits, representing the internally generated funds available for firms to invest. Positive net lending arises when the gross saving of firms exceeds their capital expenditure. In contrast, if the sector as a whole were a net borrower, it would imply that internally generated funds were insufficient to meet planned capital expenditures (hence necessitating the borrowing of funds from other sectors).

As Figure 3.2 shows, the PNFC sector became a net lender after 2002 due to broadly stable gross saving, and a gradual fall in gross capital formation. In 2012 and 2013, PNFC net lending as a proportion of GDP has fallen quite sharply, due to declining corporate savings and rising gross capital formation.

Figure 3.2: Net lending in the UK PNFC sector and its components as a proportion of GDP



Source: Office for National Statistics

3 . Tables

[Chapter 03 tables (139.6 Kb Pdf)]

4. Background notes

1. 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.gsi.gov.uk

   These National Statistics are produced to high professional standards and released according to the arrangements approved by the UK Statistics Authority.