

Compendium

# Chapter 04: Financial corporations



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# 1 . Financial corporations

Financial corporations sector (S.12) consists of institutional units which are independent legal entities and market producers, and whose principal activity is the production of financial services. Such institutional units comprise all corporations and quasi-corporations, which are principally engaged in:

(a) financial intermediation (financial intermediaries); and/or

(b) auxiliary financial activities (financial auxiliaries).

Also included are institutional units providing financial services, where most of either their assets or their liabilities are not transacted on open markets.

Financial intermediation is the activity in which an institutional unit acquires financial assets and incurs liabilities on its own account, by engaging in financial transactions on the market. The assets and liabilities of financial intermediaries are transformed or repackaged in relation to, for example, maturity, scale, risk, etc. in the financial intermediation process.

Auxiliary financial activities are activities related to financial intermediation but which do not involve financial intermediation themselves.

Financial corporations are presented in the following groupings:

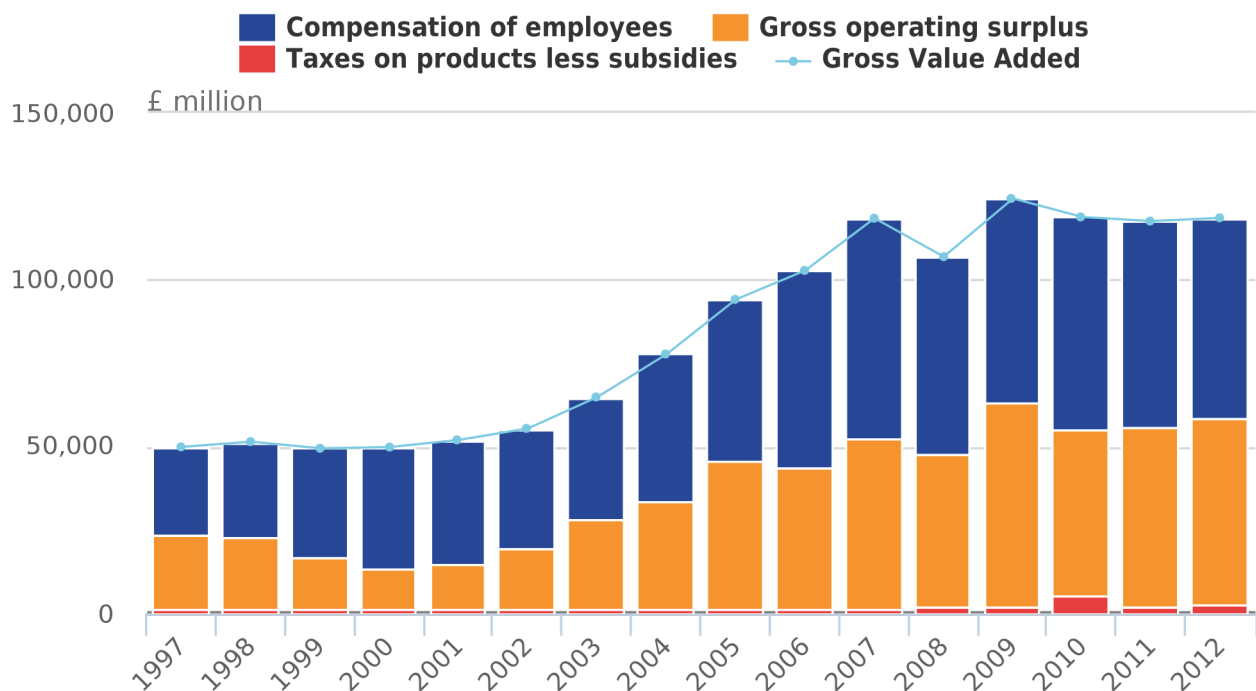
- monetary financial institutions (MFI)
- financial corporations except MFI and ICPF
- insurance corporations and pension funds (ICPFs)

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

## 2 . Financial corporations at a glance

Nominal gross value added (GVA) generated by financial corporations rose steadily in the decade prior to 2007. Following the global financial market shock, GVA fell by 9.7% before recovering again in 2009 (reaching £124.3 billion); but in subsequent periods GVA growth has been subdued. GVA is allocated to profits (often referred to as Gross Operating Surplus or GOS), compensation of employees – which is comprised of wages & salaries and employers' social contributions - and taxes less subsidies on production. Before the downturn, the share of GVA attributable to compensation of employees is shown to be larger than the profit share, averaging 60% and 38% respectively. However, since 2009 this share is now shown to be more evenly split, at 51% and 46% respectively.

**Figure 4.1: Gross value added and its components, financial corporations sector (£ million)**



Source: Office for National Statistics

In contrast to other sectors, the main source of income (primary income) that financial corporations receive is in the form of interest. Interest received by financial corporations peaked at £481.1 billion in 2008, but more than halved subsequently to £170.2 billion in 2010, and declined further since then (falling to £150.2 billion in 2013). Interest payments similarly form a major component of expenditure by financial corporations which also more than halved through the downturn to reach £134.3 billion in 2010; this too has subsequently declined further since (reaching £114.4 billion in 2013). The fall in both resources and uses has coincided with a fall in Bank Rate and financial corporation activity since the onset of the downturn.

With interest received falling to a greater extent compared with interest paid between 2007 and 2013, Gross disposable income of financial corporations (which represents the difference between resources and uses in the primary and secondary income accounts) was £67.1 billion in 2013, down 14.6% on 2007 levels.

## 3 . Tables

[Chapter 04 tables \(161 Kb Pdf\)](#)

## 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](http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html) or from the Media Relations Office email: [media.relations@ons.gsi.gov.uk](mailto: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.