

Compendium

# Chapter 14: Flow of funds



Contact:  
Catherine Marks  
[blue.book.coordination@ons.gsi.gov.uk](mailto:blue.book.coordination@ons.gsi.gov.uk)

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# 1 . Introduction

The recent financial crisis exposed a significant lack of information about the financial sector. Developing financial data is considered essential for identifying the build-up of risks in the financial sector and to understand financial connections amongst the institutional sectors and sub-sectors within the economy. An important part of this development is the 'Flow of Funds'.

## 2 . What is Flow of Funds?

The Flow of Funds (FoF) measures the financial flows across sectors of the economy, tracking funds as they move from those sectors that serve as sources of capital, through intermediaries (such as banks), to sectors that use the capital to acquire physical and financial assets. It therefore presents information on debtor/creditor relationships and captures the changes in financial assets and liabilities in the economy. Flow of Funds is based upon the principle that the movement of all funds must be accounted for. Therefore, in the economy, total sources of funds must equal total uses of funds and, financial asset transactions must equal transactions in liabilities.

A natural progression in the development of Flow of Funds data is to include details of counterparties in the transaction line. This is also known as whom-to-whom (w2w) data. Including counterpart data has an added benefit of giving an indication of the exposure of each individual sector to the risk which may build up in other sectors.

Flow of Funds data are presented in Chapter 14 as a series of tables which measure the net acquisition of financial assets and liabilities by sector. Although these data are already included in the United Kingdom National Accounts Blue Book 2014 publication we are introducing the data in a new format within this chapter based on user requirements and long-term plans to expand the data presented.

- [Table 14.1 \(284.5 Kb Excel sheet\)](#) presents flows (or transactions) of assets and liabilities for each sector (financial account)
- [Table 14.2 \(284.5 Kb Excel sheet\)](#) presents levels (or stocks) of assets and liabilities for each sector (balance sheet)
- [Tables 14.3.1 to 14.3.8 \(284.5 Kb Excel sheet\)](#) presents selected individual financial transactions by sectors

In future, Flow of Funds matrices for individual financial instruments will be developed to include the necessary counterparty information. Flow of Funds matrices on this basis will act as a financial complement to the National Accounts and enable more understanding of macroeconomic behaviour.

## 3 . Tables

[Chapter 14 tables \(170.8 Kb Pdf\)](#)

## 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)

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