

Statistical bulletin

MQ5: Investment by insurance companies, pension funds and trusts: October to December 2018

Investment choices of financial institutions based on financial transactions (investments and disinvestments), including balance sheet data for short-term assets and liabilities, and income and expenditure data.



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Next release:
This release is being
discontinued

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Table

1 . Main points

- Net disinvestment of £34 billion was reported by insurance companies, pension funds and trusts in Quarter 4 (Oct to Dec) 2018; the largest since the start of this series in 1987.
- This was the first time since comparable records began in 1987 that four consecutive quarters of net disinvestment in total assets have been reported. To put this into context, the five-year quarterly average for this series is net investment of £1 billion.
- In Quarter 4 2018, the overall net disinvestment of £34 billion by these institutions was caused mainly by net disinvestment in overseas securities (£36 billion) and short-term assets (£9 billion), offset in part by net investment of £7 billion in other assets (mainly mutual funds) and UK corporate securities (£4 billion).
- In Quarter 4 2018, there was net disinvestment of £36 billion in overseas securities; this was the largest quarter of net disinvestment since the start of this series in 1986.
- In 2018, net disinvestment reported by insurance companies, pension funds and trusts was estimated at £53 billion, the largest since the start of this series in 1987; this was caused mainly by net disinvestment in overseas securities (£50 billion).
- The 2018 annual estimate of net disinvestment by long-term insurance companies in overseas ordinary shares (£33 billion) was the largest since records began in 1963.
- The 2018 annual estimate of net disinvestment by self-administered pension funds in overseas ordinary shares (£27 billion) was the largest since the start of this series in 1963.
- In 2018, unit trusts and property unit trusts reported net disinvestment of £11 billion in overseas ordinary shares, the largest since the start of this series in 1986.
- In 2018, the annual estimate of net disinvestment in short-term assets (£22 billion) was the largest since the start of this series in 1982; this was caused mainly by net disinvestment by self-administered pension funds (£14 billion).

2 . Announcement

As initially announced in September 2018, this is the final MQ5 statistical bulletin in its current form.

Over the next two years, changes to Office for National Statistics (ONS) surveys that cover the financial sector will be necessary as part of the [Enhanced Financial Accounts \(EFA\)](#) initiative whereby the ONS, in partnership with the Bank of England, plans to improve the quality, coverage and granularity of UK financial statistics. This will be achieved by using new data from commercial, regulatory and administrative sources and reducing the burden and compliance on businesses that return our surveys.

This work entails wide-ranging redesign (and in some instances replacement) of the existing surveys that currently provide the data presented in this publication, making continued production of the MQ5 in its current form unviable. Therefore, the MQ5 will now cease and the ONS apologises for any inconvenience this may cause to users of this publication. However, this work should ensure that improved statistics relating to the investment activities of the UK financial sector, can be produced within the next two to three years.

The ONS would like to thank users of the MQ5 bulletin for your interest in these statistics. If you have any concerns relating to this announcement, please contact us by email at Financial.Inquiries@ons.gov.uk

3 . Things you need to know about this release

[See announcement in Section 2.](#)

This publication considers the investment choices of insurance companies, self-administered pension funds, investment trusts, unit trusts and property unit trusts. Before viewing the MQ5 publication, it is recommended that readers familiarise themselves with the [institutional groups](#) covered within.

These institutions control £4 trillion of assets and engage in considerable volumes of investment activity to fund their operations. An understanding of their investments and assets is important to monitor the stability of the financial sector and is used in the compilation of the UK National Accounts.

The MQ5 release includes quarterly net investment data arising from financial transactions (investments) made by these institutions. Also included are quarterly balance sheet data for short-term assets and liabilities, plus quarterly income and expenditure data for insurance companies and self-administered pension funds. All data are reported at current prices (effects of price changes included).

The Office for National Statistics (ONS) makes every effort to provide informative commentary on the data in this release. As part of the quality assurance process, individual businesses are contacted to capture reasons for extreme period-on-period data movements. It can prove difficult to elicit detailed reasons from some businesses to help inform the commentary. Frequently, reasons given for data movements refer to a “change in investment strategy” or a “fund manager’s decision”. Consequently, it is not possible for all data movements to be fully explained.

This release contains final estimates for 2017, based on these institutions’ balance sheets at the end of 2017, the latest period for which annual results incorporating balance sheet information are available. Due to the discontinuation of the MQ5 publication (see the announcement in Section 2), there will be no opportunity to incorporate annual survey data for 2018. This quality assurance process (see the [revisions policy](#)) is used to align quarterly survey data with annual survey data and can lead to significant revisions, but the 2018 estimates in this final MQ5 publication will not be subject to annual alignment. Similarly, there will be no further revisions to 2018 data following this publication, due to respondent revisions. Therefore, the 2018 estimates should be regarded with due caution.

It is sometimes necessary to suppress figures for certain items to avoid disclosing investment activity by individual institutions. In these cases, the figures are usually combined with those for another item and this will be indicated in the tables with a footnote. All estimates are reported on a current price basis (that is, they are not adjusted to remove the effects of inflation).

A [Glossary](#) is available to assist your understanding of the terms used in this release.

4 . Net investment by asset type

[See announcement in Section 2.](#)

Insurance companies, pension funds and trusts acquired £1,798 billion and disposed of £1,752 billion longer-term financial instruments during 2017, the latest period for which annual balance sheet data are available. Net investment is the difference between acquisitions and disposals of longer-term assets, as well as changes in holdings of short-term assets, and can therefore be volatile. Table 1 (at the end of this section) displays net investment data by asset type.

The net disinvestment of £34 billion in Quarter 4 (Oct to Dec) 2018 was the largest since the start of this time series in 1987 and the fourth consecutive quarter of overall net disinvestment (Figure 1). Net disinvestment was reported across overseas securities, short-term assets and UK government sterling securities.

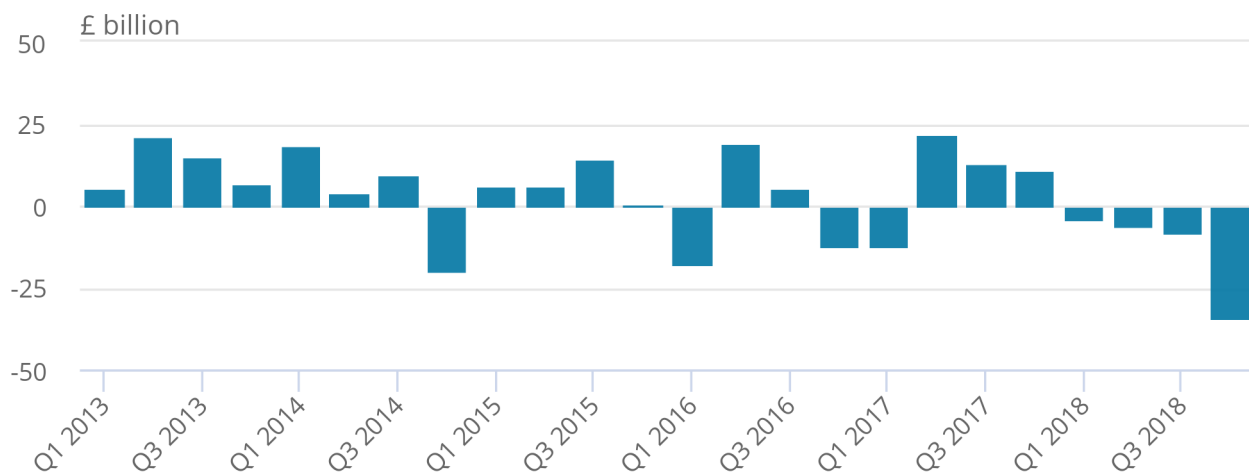
To put this into context, the five-year quarterly average for this series is net investment of £1 billion.

Figure 1: Total net investment

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018

Figure 1: Total net investment

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018



Source: Office for National Statistics - Quarterly Transactions Surveys

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For 2018 as a whole, net disinvestment reported by the institutions covered in this release is estimated at £53 billion. This was the highest level of net disinvestment since the start of this series in 1987 and was caused mainly by net disinvestment in overseas securities (£50 billion), short-term assets (£22 billion) and UK corporate securities (£15 billion) were offset in part by net investment of £19 billion in other assets (mainly mutual fund investments) and UK government sterling securities (£15 billion).

Net investment or net disinvestment varies across the quarters of a calendar year and so an increase or decrease in investment from one quarter to the next is not necessarily an indicator of improved or worsened economic activity. A better gauge of investor activity is the composition of investment between types of instruments over several quarters, which is more likely to reflect varying investment strategies.

Short-term assets

Investment in short-term assets (those maturing within one year of their originating date) can be affected by the level of the net inflows of funds into the businesses concerned (premiums or contributions, for example) and by the relative attractiveness of other investments, both in terms of their potential returns and risk.

In Quarter 4 2018, there was net disinvestment of £9 billion in short-term assets (Figure 2), the third consecutive quarter of disinvestment for these assets.

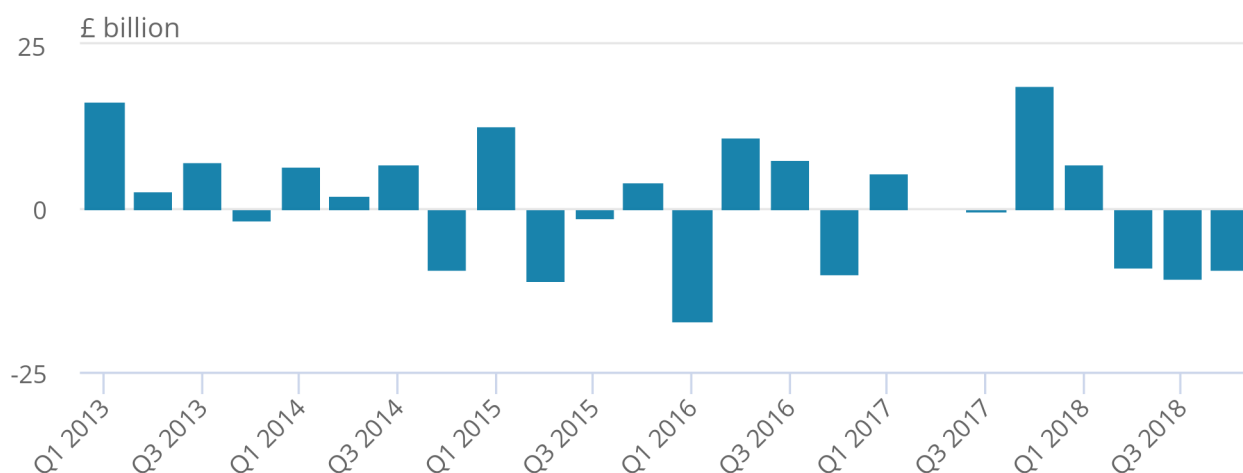
In terms of context, the five-year quarterly average for this series is net investment of £0.2 billion.

Figure 2: Net investment in short-term assets

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018

Figure 2: Net investment in short-term assets

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018



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The annual estimate of net disinvestment of £22 billion in short-term assets in 2018 was the largest since the start of this series in 1982. Net disinvestment in short-term assets was reported by each of the institutional groups in 2018.

UK government sterling securities (gilts)

UK gilts (gilt-edged market securities) are fixed income or index-linked bonds issued by the UK government. On the primary gilt market, the purchaser of a gilt lends the government money in return for regular interest payments and the promise that the nominal value of the gilt will be repaid (redeemed) on a specified future date. These assets may then be bought and sold by investors in the secondary market. Gilts are very liquid assets that offer virtually risk-free returns.

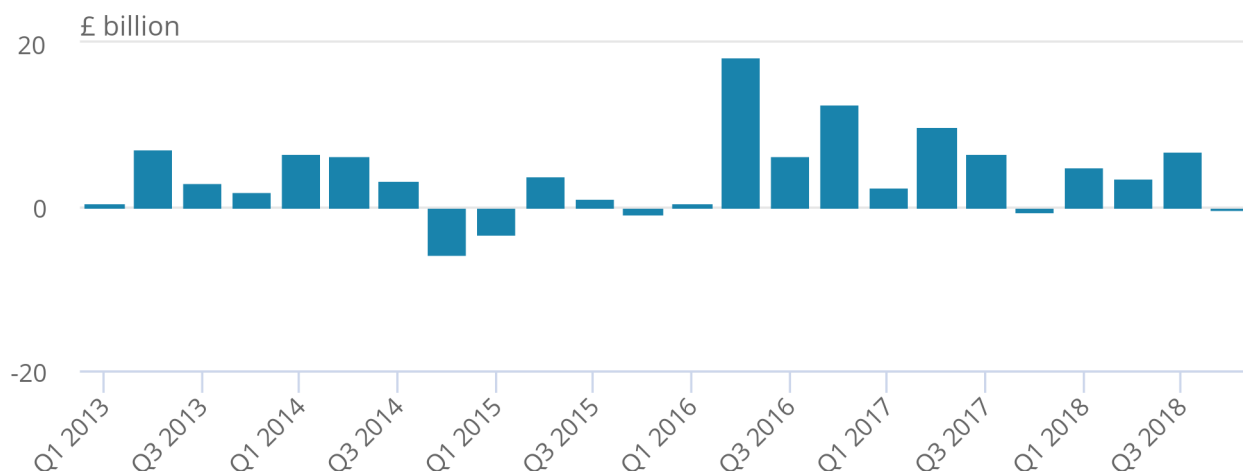
The institutions covered by this release reported net disinvestment of £0.4 billion in gilts in Quarter 4 2018 (Figure 3). In terms of context, the five-year quarterly average for this series is net investment of £4 billion.

Figure 3: Net investment in UK government sterling securities (gilts)

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018

Figure 3: Net investment in UK government sterling securities (gilts)

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018



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Looking at the annual picture, the 2018 estimate of net investment of £15 billion in gilts was the sixth consecutive year of net investment. This was preceded by net disinvestment in 2011 and 2012, which may suggest that some market participants have been switching back to gilts in recent years. This is due possibly to the relative attractiveness of gilts as low-risk compared with other asset types. This could also be due to increased levels of assets under management (see Section 7 on holdings at market value). Gilts are often a good holding place for these funds while investment decisions are made.

In recent times, the market for gilts has been notably influenced by the [Bank of England's quantitative easing programme](#). On 4 August 2016, the Monetary Policy Committee voted to extend the programme of quantitative easing to £435 billion and to make up to £10 billion of corporate bond purchases over an 18-month period. The gilt portion of this extension ended in January 2017 and it reinvested funds from maturing assets in February and September of 2017. Generally, the additional demand for gilts from the central bank would likely result in net disinvestment by other institutions, notwithstanding issues of new gilts. These effects are not immediately apparent in the overall net investment data for this asset type.

UK gilts can be an attractive investment option because they are very secure, reflecting the fact that the British government has never failed to make an interest or principal payment when they are due. The demand for government bonds can increase in periods of economic uncertainty and geopolitical risk, with the popularity of this investment leading to an increase in the price of gilts and a fall in their yields.

The demand for gilts can also be driven by market expectations. For example, if the market anticipates that the central bank is going to announce expansionary monetary policy measures like quantitative easing, demand for these assets can grow, leading to an increase in the price of bonds and a fall in their yield. If you are interested in additional information about gilts that is not already covered in this release, please visit the [UK Debt Management Office](#) or [Bank of England](#). In the event of future interest rate rises, then we may see a decrease in the price and a rise in the yield of gilts.

UK corporate securities and overseas securities

These asset categories comprise ordinary shares, corporate bonds and preference shares. In addition, non-UK government securities are included as part of overseas securities.

The 2018 annual estimates suggest that overall, businesses associated with this release preferred to invest in fixed-income instruments (such as corporate bonds and government bonds) compared with ordinary shares. This was evident in overseas securities and also in UK corporate securities and may indicate that these businesses saw fixed-income investments to be a relatively attractive and stable investment option when compared with ordinary shares during 2018. Stock markets generally faltered during 2018, with the [Financial Times Stock Exchange \(FTSE\)100](#) ending the year 12% down, as reported by the [BBC](#) in December 2018. As share prices have fallen, investors may have elected to diversify by increasing their bond exposure.

UK corporate securities

In Quarter 4 2018, there was net investment of £4 billion in UK corporate securities (Figure 4). This was caused by net investment of £2 billion in both ordinary shares and other UK corporate securities (mainly corporate bonds).

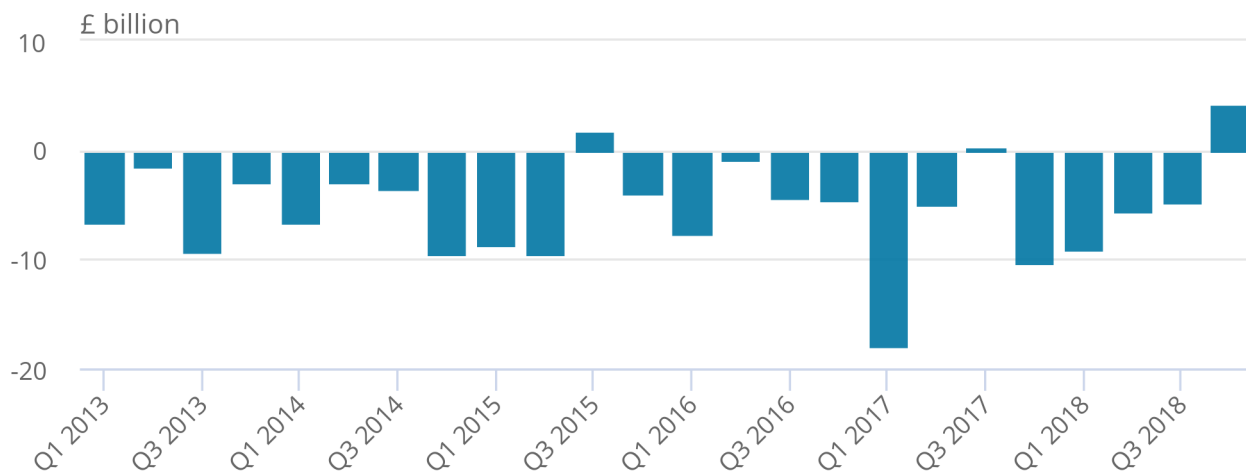
In terms of context, the five-year quarterly average for UK corporate securities is net disinvestment of £5 billion.

Figure 4: Net investment in UK corporate securities

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018

Figure 4: Net investment in UK corporate securities

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018



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The 2018 annual estimate of net disinvestment of £27 billion in UK ordinary shares contrasts with net investment in other UK corporate securities (mainly corporate bonds) of £12 billion, which was the largest for this series since 2012 (also £12 billion). There could be several drivers to these conflicting movements. For example, the investors sampled may have chosen to invest in corporate equity through a mutual fund, including passive investments into index trackers or Exchange Traded Funds.

Overseas securities

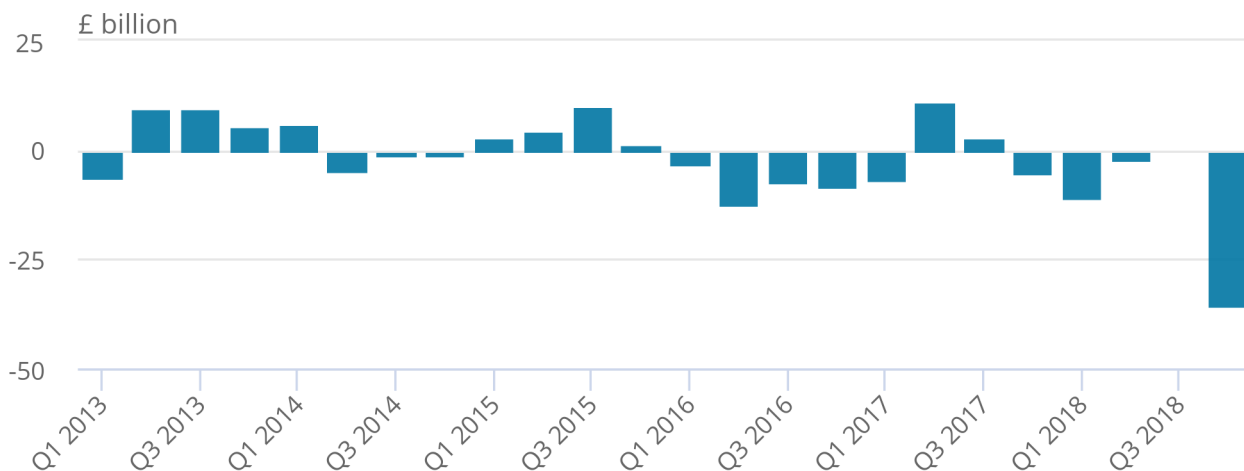
In Quarter 4 2018, there was net disinvestment of £36 billion (Figure 5) in overseas securities. This was the largest quarter of net disinvestment since the start of this series in 1986 and was caused mainly by net disinvestment in overseas ordinary shares (£33 billion) and overseas government securities (£3 billion).

Figure 5: Net investment in overseas securities

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018

Figure 5: Net investment in overseas securities

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018



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The 2018 annual estimate of net disinvestment in overseas securities (£50 billion) was the largest since records began in 1986 and was caused mainly by disinvestment of £71 billion in overseas ordinary shares, offset in part by net investment of £20 billion in other overseas corporate securities (mainly corporate bonds) and £1 billion in overseas government securities.

In 2018, unprecedented levels of annual net disinvestment in overseas ordinary shares were reported by long-term insurance companies (£33 billion), self-administered pension funds (£27 billion) and unit trusts and property unit trusts (£11 billion). This may be due partly to institutional investors moving away from volatile markets and into safer assets. This is particularly relevant to the start and the end of the year when global stock markets experienced a relatively poor performance against a backdrop of trade tensions and political uncertainty. Quarter 2 (Apr to June) and Quarter 3 (July to Sept) in 2018 were less volatile, although pensions and (to a lesser extent) insurance companies, continued to disinvest throughout the year.

Other assets

The category “other assets” covers UK and overseas investment in:

- mutual fund investments
- insurance-managed funds
- UK government securities denominated in foreign currency
- local authority and public corporation securities
- loans
- fixed assets
- insurance policies and annuities
- direct investment
- other assets not elsewhere classified

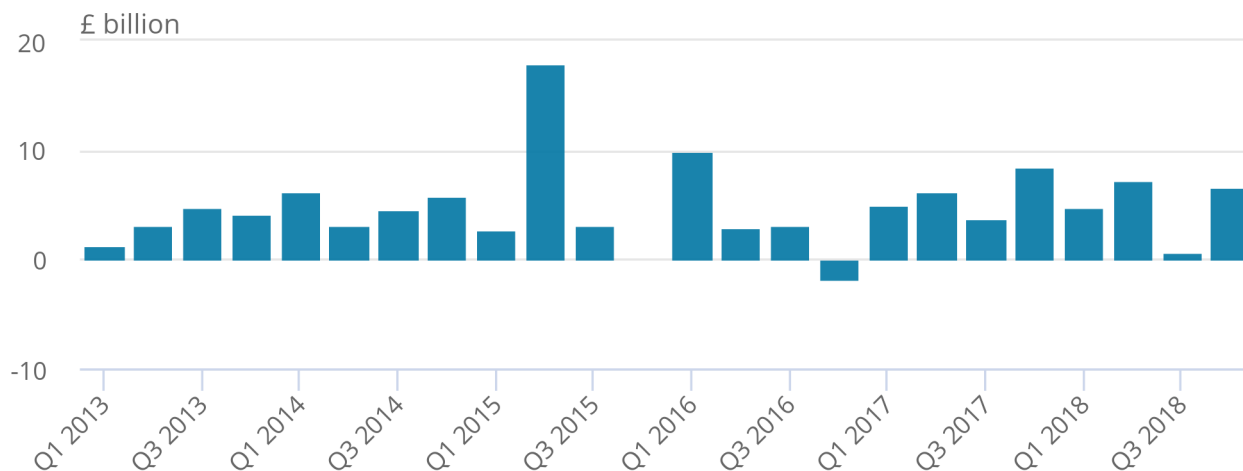
In Quarter 4 2018, there was net investment of £7 billion (Figure 6) in other assets. In terms of context, the five-year quarterly average for this series is net investment of £5 billion.

Figure 6: Net investment in other assets

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018

Figure 6: Net investment in other assets

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018



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The 2018 annual estimate of net investment in other assets was £19 billion. This was caused mainly by net investment by long-term insurance companies in mutual funds. This may indicate that these businesses adopted a strategy of passive investment during 2018 (see Section 5, Long-term insurance companies for more information).

Table 1: Net investment by asset type
UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 2018 (Oct to Dec), £ billion

	Total	Short-term assets	UK government sterling securities	UK corporate securities	Overseas securities	Other assets
2013	48.4	24.9	12.6	-20.4	18.1	13.3
2014	12.5	5.9	10.2	-22.6	-0.7	19.8
2015	27.6	4.5	0.8	-20.6	18.8	24.1
2016	-5.7	-8.5	37.8	-17.3	-31.9	14.2
2017	33.8	23.7	18.5	-33.1	1.3	23.4
2018	-52.5	-22.1	15	-15.2	-49.7	19.4
Q1 2013	5.4	16.5	0.6	-6.6	-6.3	1.2
Q2 2013	21.1	2.8	7.1	-1.6	9.6	3.2
Q3 2013	15.2	7.3	3.1	-9.3	9.4	4.7
Q4 2013	6.7	-1.7	1.9	-3.0	5.3	4.1
Q1 2014	18.8	6.6	6.6	-6.6	6.0	6.3
Q2 2014	3.8	1.9	6.2	-2.9	-4.6	3.2
Q3 2014	9.8	6.7	3.2	-3.6	-1.1	4.5
Q4 2014	-19.8	-9.3	-5.7	-9.5	-1.1	5.8
Q1 2015	6.4	12.6	-3.2	-8.8	3.0	2.7
Q2 2015	6.1	-10.9	3.9	-9.6	4.7	18.0
Q3 2015	14.5	-1.4	1.0	1.8	9.9	3.2
Q4 2015	0.6	4.1	-0.9	-4.0	1.2	0.1
Q1 2016	-17.9	-17.2	0.6	-7.6	-3.5	9.9
Q2 2016	19.3	11.1	18.3	-0.8	-12.4	3.0
Q3 2016	5.2	7.4	6.4	-4.4	-7.5	3.2
Q4 2016	-12.2	-9.8	12.5	-4.6	-8.5	-1.8
Q1 2017	-12.1	5.4	2.4	-17.9	-6.9	4.9
Q2 2017	22.2	0.0	10.0	-5.1	10.9	6.3
Q3 2017	13.0	-0.5	6.7	0.3	2.7	3.8
Q4 2017	10.7	18.8	-0.6	-10.4	-5.5	8.4
Q1 2018	-4.0	6.8	4.9	-9.2	-11.2	4.8
Q2 2018	-6.1	-9.0	3.6	-5.6	-2.4	7.2
Q3 2018	-8.2	-10.7	6.9	-4.8	-0.3	0.6
Q4 2018	-34.2	-9.1	-0.4	4.3	-35.8	6.7

Source: Office for National Statistics

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2. Components may not sum to totals due to rounding. [Back to table](#)
3. Data for Quarter 1 2018 onwards remain provisional. [Back to table](#)
4. Q1 is Quarter 1 January to March, Q2 is Quarter 2 April to June, Q3 is Quarter 3 July to September and Q4 is Quarter 4 October to December. [Back to table](#)

5 . Net investment by institutional group

[See announcement in Section 2.](#)

Net investment data for each of the institutional groups covered by this release are displayed in Table 2 (at the end of this section).

Long-term insurance companies

These are companies that provide either protection in the form of life assurance or critical illness policies, or investment in the form of pension provision.

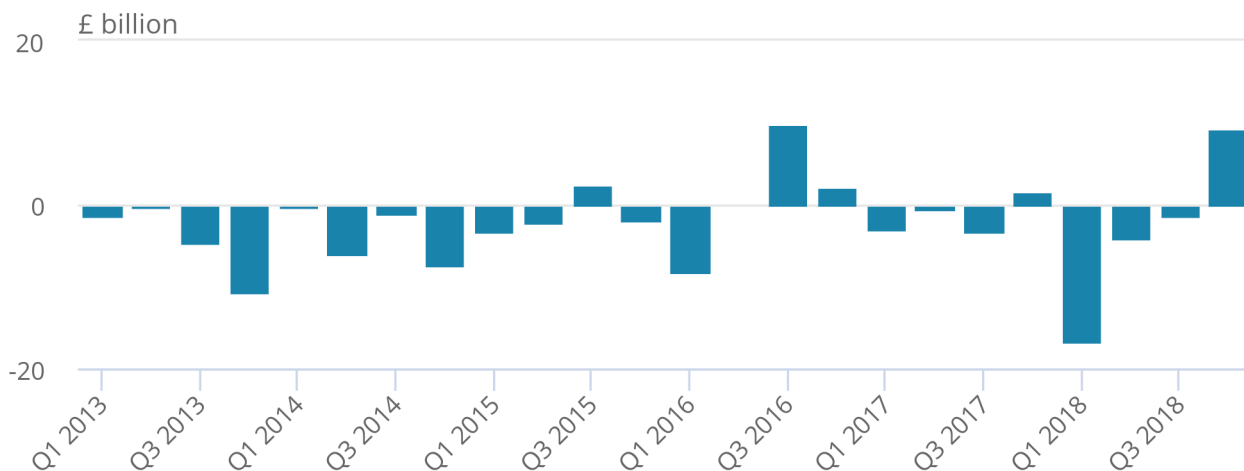
Long-term insurance companies showed net investment of £9 billion in Quarter 4 (Oct to Dec) 2018 (Figure 7). In terms of context, the five-year quarterly average for this series is net disinvestment of £2 billion.

Figure 7: Net investment by long-term insurance companies

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018

Figure 7: Net investment by long-term insurance companies

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018



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The 2018 annual estimate of net disinvestment by these businesses in overseas securities (£25 billion) was the largest since records began in 1963. This was caused mainly by net disinvestment in overseas ordinary shares (£33 billion), offset in part by net investment in overseas corporate bonds (£4 billion) and overseas government, provincial and municipal securities (£3 billion).

This net disinvestment by long-term insurance companies in overseas ordinary shares (£33 billion) and UK ordinary shares (£11 billion), contrasts with the 2018 estimate of net investment in mutual funds (£25 billion). This may indicate that these businesses adopted a strategy of passive investment during this period.

Passive investment is a strategy whereby asset holders invest in funds that hold a basket of assets to represent the asset group. This ensures that returns to the investor are the same as the returns of that asset group, but costs are reduced as analysis of each constituent of the group is not required.

General insurance companies

These are companies that undertake other types of insurance such as motor, home and travel. This type of insurance is usually over a shorter period, most commonly 12 months.

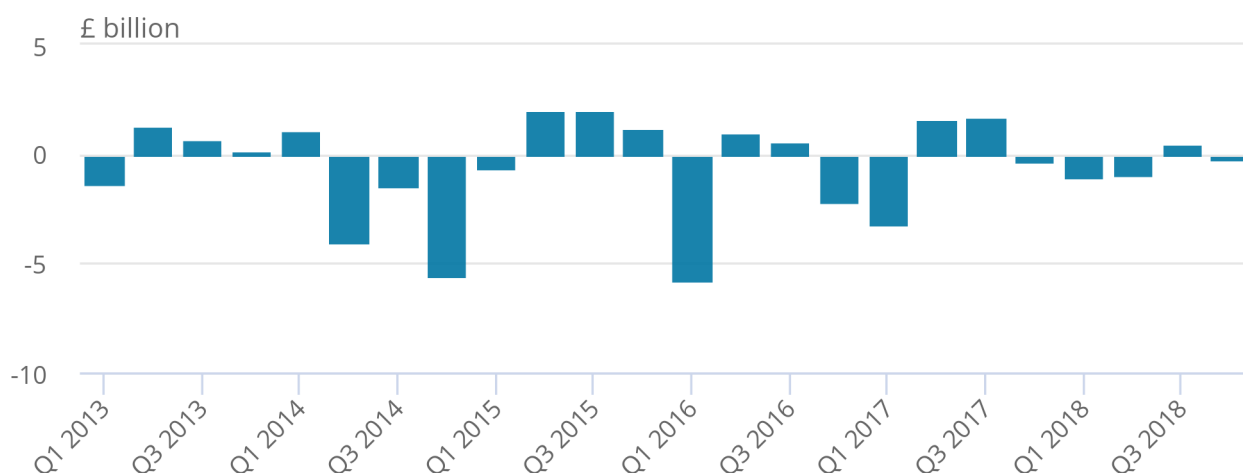
General insurance companies showed net disinvestment of £0.2 billion in Quarter 4 2018. The five-year quarterly average for this series is net disinvestment of £1 billion.

Figure 8: Net investment by general insurance companies

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018

Figure 8: Net investment by general insurance companies

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018



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Self-administered pension funds

These are funds established by pension scheme trustees to facilitate and organise the investment of employees' retirement funds.

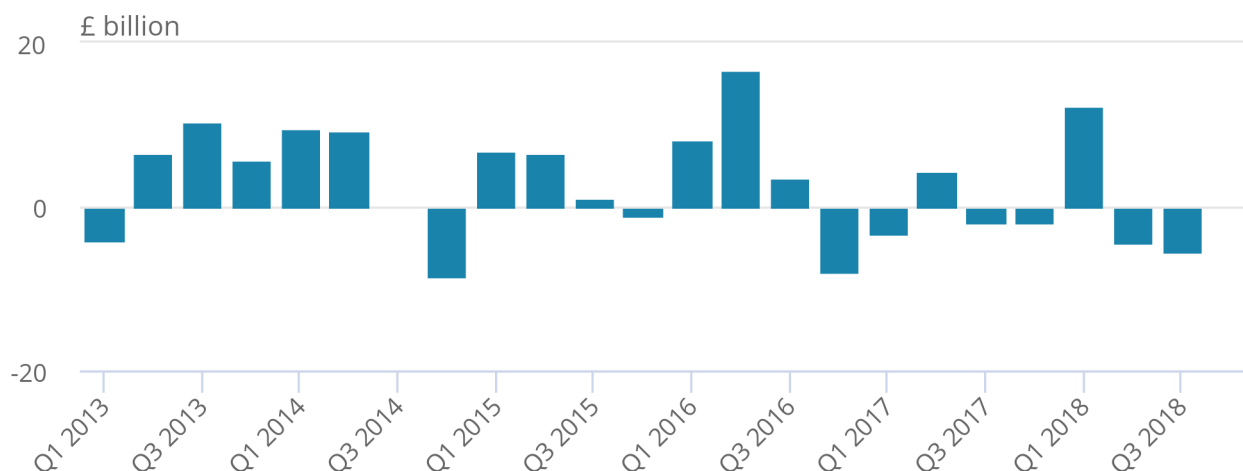
Self-administered pension funds reported net disinvestment of £0.05 billion in Quarter 4 2018 (Figure 9). The five-year quarterly average for this series is net investment of £2 billion.

Figure 9: Net investment by self-administered pension funds

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018

Figure 9: Net investment by self-administered pension funds

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018



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In 2018, self-administered pension funds showed overall net investment of £2 billion.

In 2018, the net disinvestment by self-administered pension funds overseas ordinary shares (£27 billion) was the largest since the start of this series in 1963. By contrast, the net investment of £6 billion by these funds in other overseas government, provincial and municipal securities was the largest since the start of this series in 1963.

The net investment of £12 billion by these funds in other overseas securities (mainly corporate bonds) in 2018, was the largest for this series since 2007.

In 2018, the net disinvestment by self-administered pension funds in short-term assets (£14 billion) was the largest since the start of this series in 1964.

Investment trusts

Investment trusts acquire financial assets with money subscribed by shareholders or borrowed in the form of loan capital. Investment trusts are not trusts in the legal sense, but are limited companies with two special characteristics: their assets consist of securities and they are debarred by their articles of association from distributing capital gains as dividends. Shares of investment trusts are traded on the London Stock Exchange and increasingly can be bought direct from the company.

In Quarter 4 2018, investment trusts reported net disinvestment of £1 billion.

Unit trusts and property unit trusts

Unit trusts include open-ended investment companies but do not cover other unitised collective investment schemes or those based offshore. They are set up under trust deeds, the trustee usually being a bank or insurance company. The funds in the trusts are managed not by the trustees, but by independent management companies. Units representing a share in the trusts' assets can be bought from the managers or resold to them at any time.

Property unit trusts invest predominantly in freehold or leasehold commercial property yet may hold a small proportion of their investments in the securities of property companies.

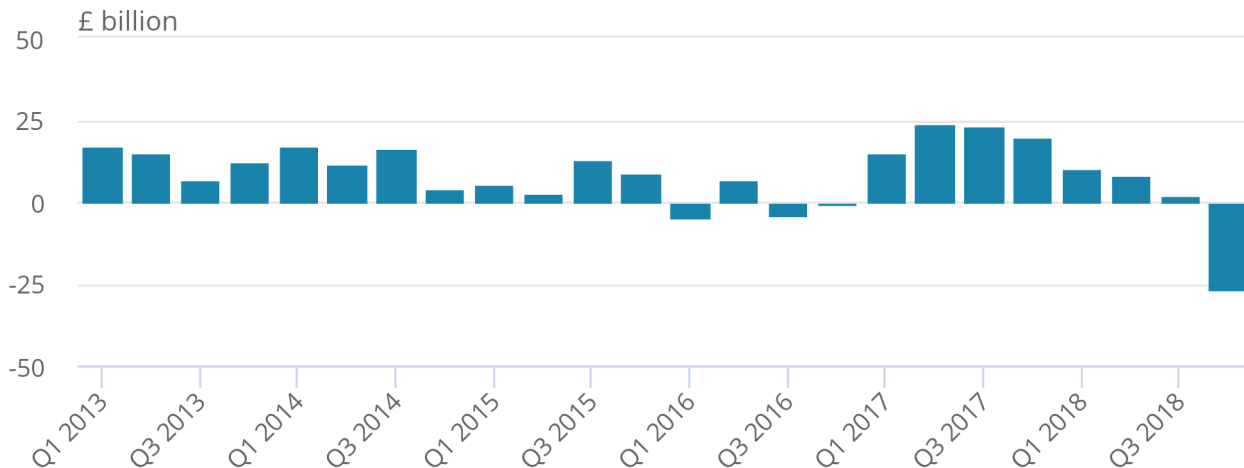
In Quarter 4 2018, unit trusts and property unit trusts reported net disinvestment of £27 billion (Figure 10), the largest since the start of this series in 1987. This was caused mainly by net disinvestment of £16 billion in overseas ordinary shares.

Figure 10: Net investment by unit trusts and property unit trusts

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018

Figure 10: Net investment by unit trusts and property unit trusts

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018



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In 2018, unit trusts and property unit trusts reported net disinvestment of £6 billion; the largest since the start of this series in 1984. This was caused mainly by net disinvestment in overseas securities (£16 billion), offset in part by net investment of £11 billion in other assets (mainly mutual fund investments).

The net disinvestment in overseas securities by these businesses was the largest since the start of this series in 1986. This was caused mainly by net disinvestment in overseas ordinary shares (£11 billion) and overseas government, provincial and municipal securities (£8 billion), offset in part by net investment of £3 billion in other overseas corporate securities (mainly corporate bonds).

Table 2: Net investment by institutional group
UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 2018 (Oct to Dec), £ billion

	Total	Long-term insurance companies	General insurance companies	Self-administered pension funds	Investment trusts	Unit trusts and property unit trusts	Consolidation adjustment²
2013	48.4	-17.3	0.8	18.8	0.6	50.9	-5.4
2014	12.5	-14.6	-10.0	10.3	0.8	48.7	-22.7
2015	27.6	-5.0	4.6	13.6	0.2	30.5	-16.3
2016	-5.7	3.9	-6.3	20.4	1.4	-2.8	-22.3
2017	33.8	-5.3	-0.2	-2.7	-3.7	81.8	-36.0
2018	-52.5	-13.0	-1.8	2.4	-0.2	-5.9	-34.0
Q1 2013	5.4	-1.4	-1.4	-4.0	0.5	17.1	-5.5
Q2 2013	21.1	-0.4	1.3	6.5	-0.2	14.8	-1.0
Q3 2013	15.2	-4.7	0.7	10.5	0.1	6.7	1.9
Q4 2013	6.7	-10.8	0.2	5.8	0.1	12.3	-0.8
Q1 2014	18.8	-0.3	1.1	9.7	0.1	16.8	-8.6
Q2 2014	3.8	-5.9	-4.0	9.2	0.3	11.5	-7.3
Q3 2014	9.8	-1.0	-1.5	-0.1	0.4	16.4	-4.4
Q4 2014	-19.8	-7.4	-5.6	-8.4	0.0	4.0	-2.4
Q1 2015	6.4	-3.4	-0.6	6.9	-0.9	5.5	-1.1
Q2 2015	6.1	-2.2	2.0	6.7	0.8	3.0	-4.1
Q3 2015	14.5	2.6	2.0	1.1	0.2	12.8	-4.3
Q4 2015	0.6	-1.9	1.2	-1.1	0.1	9.2	-6.8
Q1 2016	-17.9	-8.2	-5.8	8.1	0.5	-4.8	-7.7
Q2 2016	19.3	0.1	1.0	16.8	1.1	6.9	-6.6
Q3 2016	5.2	9.9	0.6	3.5	-0.7	-4.0	-4.2
Q4 2016	-12.2	2.2	-2.2	-8.0	0.5	-0.9	-3.8
Q1 2017	-12.1	-3.1	-3.2	-3.4	-2.0	14.8	-15.3
Q2 2017	22.2	-0.6	1.6	4.4	-1.0	24.2	-6.4
Q3 2017	13.0	-3.2	1.7	-1.8	-0.5	23.1	-6.3
Q4 2017	10.7	1.6	-0.3	-2.0	-0.2	19.7	-8.1
Q1 2018	-4.0	-16.8	-1.1	12.4	0.2	10.5	-9.2
Q2 2018	-6.1	-4.1	-1.0	-4.5	0.7	8.3	-5.5
Q3 2018	-8.2	-1.5	0.5	-5.5	-0.6	2.0	-3.0
Q4 2018	-34.2	9.4	-0.2	0.0	-0.5	-26.6	-16.2

Source: Office for National Statistics

Notes

1. As initially announced in September 2018 [Back to table](#)
2. this is the final MQ5 Statistical Bulletin in its current form. Please see the announcement in Section 2 of the Statistical Bulletin for further details. We apologise for any inconvenience this may cause. If you have any concerns relating to this announcement please email Financial.Inquiries@ons.gov.uk. The consolidation adjustment is an adjustment to remove inter-sectoral flows between the different types of institution covered. The adjustment includes (i) investment in authorised unit trust units, open-ended investment companies and investment trust securities by insurance companies, pension funds and trusts and (ii) investment by pension funds in insurance managed funds and property unit trust units. Components may not sum to totals due to rounding. Data for Quarter 1 2018 onwards remain provisional. Q1 is Quarter 1 January to March, Q2 is Quarter 2 April to June, Q3 is Quarter 3 July to September and Q4 is Quarter 4 October to December. [Back to table](#)

6 . Income and expenditure by institutional group

[See announcement in Section 2.](#)

Rather than provide analysis on total income and expenditure for the institutional groups, it is considered more beneficial to users, based on their feedback, if commentary is concentrated on particular components. For insurance companies, the focus is on premiums and claims, while contributions (net of refunds) and payments are the focus for self-administered pension funds (see Table 3, at the end of this section).

Long-term insurance companies

In Quarter 4 (Oct to Dec) 2018, the value of long-term insurance claims was £49 billion. The five-year average for this series is £43 billion.

The value of premiums in Quarter 4 2018 was £58 billion (Figure 11). The five-year quarterly average for this series is £37 billion.

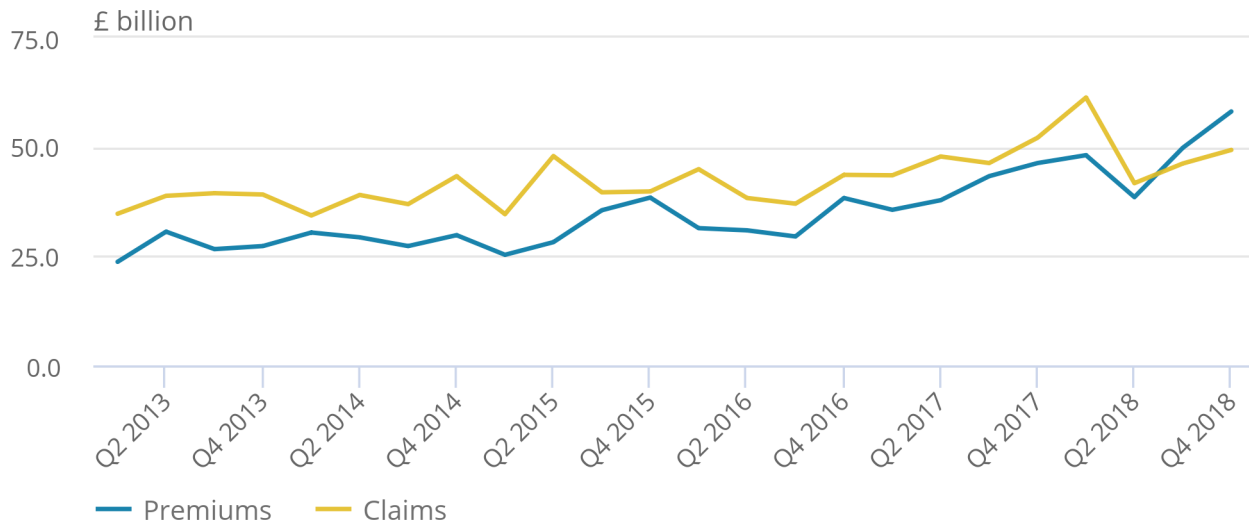
From an annual perspective, in 2018, both the level of claims incurred (£198 billion) and level of premiums earned (£195 billion), were the largest since records began in 2003. The value of claims has exceeded the value of premiums in each of the years since 2008, reversing the trend of premiums exceeding the value of claims, which was evident between 2003 (when records for these series began) and 2007.

Figure 11: Long-term insurance companies' premiums and claims

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018

Figure 11: Long-term insurance companies' premiums and claims

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018



Source: Office for National Statistics – Income and Expenditure Survey

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General insurance companies

In Quarter 4 2018, the value of premiums was £9 billion, in keeping with the five-year quarterly average for this series.

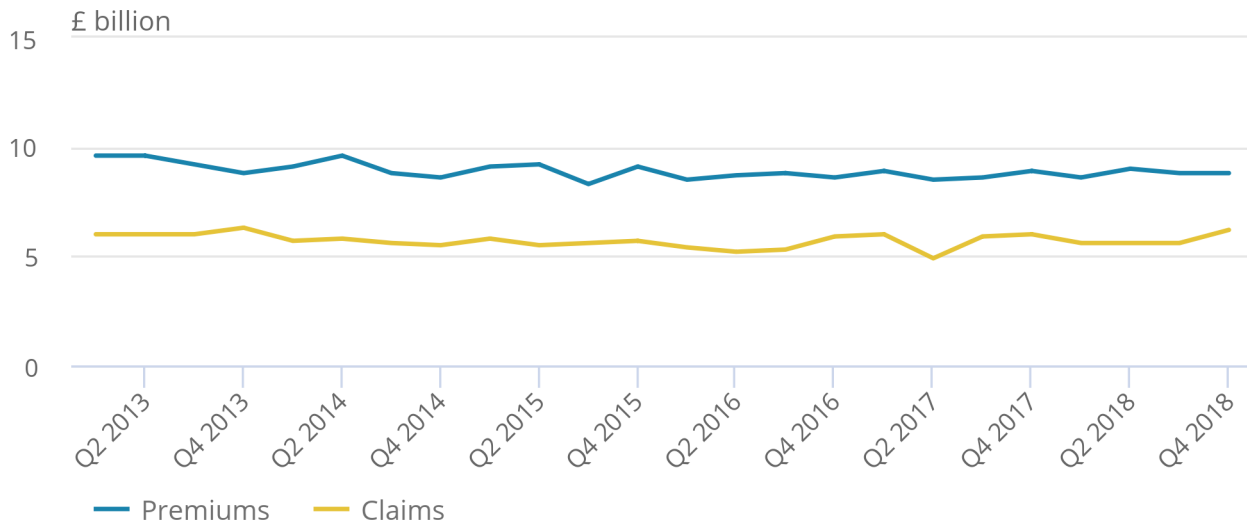
In Quarter 4 2018, the value of claims was £6 billion, in line with the five-year quarterly average for this series.

Figure 12: General insurance companies' premiums and claims

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018

Figure 12: General insurance companies' premiums and claims

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018



Source: Office for National Statistics – Income and Expenditure Survey

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Self-administered pension funds

Contributions to self-administered pension funds (net of refunds) in Quarter 4 2018 were £12 billion, in line with the five-year quarterly average for this series.

In recent years, we have tended to see a higher level of special contributions at Quarter 1 (Jan to Mar), which may suggest that companies are more informed about the amount they can spend on pension liabilities prior to the tax year ending. This would lead to generally higher net contributions in this quarter compared with other quarters of the year (Figure 13). However, special contributions in Quarter 1 2018 do not follow this pattern, which may suggest that some companies are reviewing this strategy.

Transfers to other pension schemes in 2017 (£37 billion) and 2018 (£33 billion) were at the highest levels since the start of this series in 1984. This follows a generally higher level of transfers to other schemes in recent years and may be due in part to pension reforms introduced in 2015. This series is derived from a combination of defined benefit and defined contribution pension schemes.

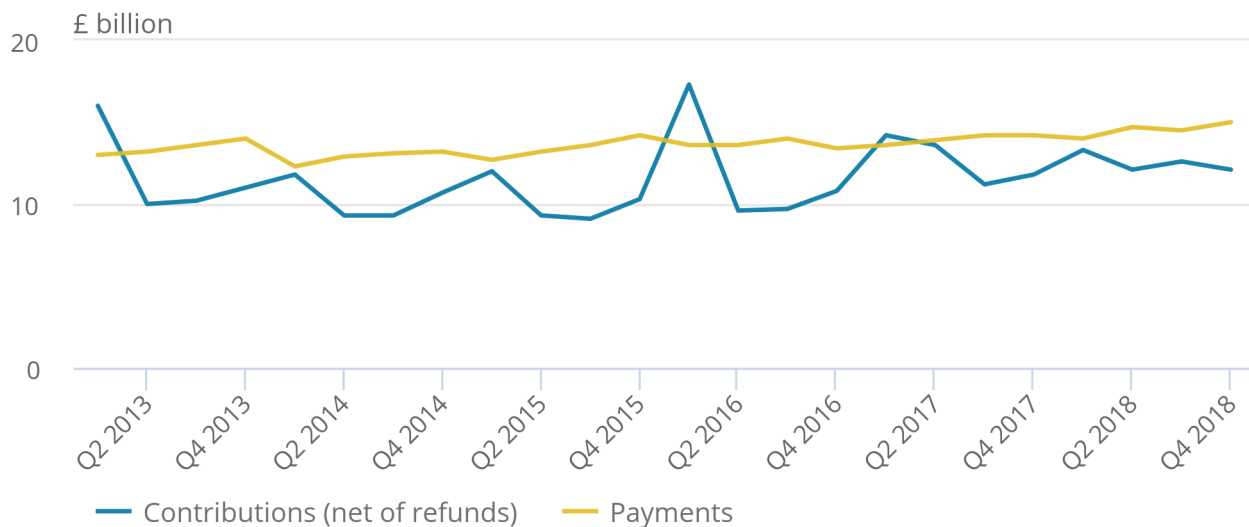
Payments (comprising pensions payable gross of Income Tax, lump sums payable on retirement and death benefits) by self-administered pension funds in Quarter 4 2018 were £15 billion. In terms of context, the five-year quarterly average for this series is £14 billion.

Figure 13: Self-administered pension funds' contributions (net of refunds) and payments

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018

Figure 13: Self-administered pension funds' contributions (net of refunds) and payments

UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018



Source: Office for National Statistics – Income and Expenditure Survey

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Table 3: Income and expenditure by institutional group
UK, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2018

£ billion

	Long-term insurance		General insurance		Self-administered pension funds	
	Premiums	Claims	Premiums	Claims	Contributions (net of refunds)	Payments
2013	108.2	152.0	37.3	24.2	47.3	53.9
2014	116.8	153.5	36.0	22.7	41.1	51.6
2015	127.5	161.9	35.6	22.5	40.6	53.6
2016	130.0	163.8	34.6	21.7	47.4	54.6
2017	163.0	189.7	34.9	22.8	50.7	55.9
2018	194.5	198.4	35.2	23.0	50.2	58.2
Q1 2013	23.7	34.7	9.6	6.0	16.0	13.0
Q2 2013	30.6	38.8	9.6	6.0	10.0	13.2
Q3 2013	26.6	39.4	9.2	6.0	10.2	13.6
Q4 2013	27.3	39.1	8.8	6.3	11.0	14.0
Q1 2014	30.4	34.3	9.1	5.7	11.8	12.3
Q2 2014	29.3	39.0	9.6	5.8	9.3	12.9
Q3 2014	27.3	36.9	8.8	5.6	9.3	13.1
Q4 2014	29.8	43.3	8.6	5.5	10.7	13.2
Q1 2015	25.3	34.6	9.1	5.8	12.0	12.7
Q2 2015	28.2	47.9	9.2	5.5	9.3	13.2
Q3 2015	35.5	39.6	8.3	5.6	9.1	13.6
Q4 2015	38.4	39.8	9.1	5.7	10.3	14.2
Q1 2016	31.4	44.9	8.5	5.4	17.3	13.6
Q2 2016	30.9	38.3	8.7	5.2	9.6	13.6
Q3 2016	29.5	37.0	8.8	5.3	9.7	14.0
Q4 2016	38.3	43.6	8.6	5.9	10.8	13.4
Q1 2017	35.6	43.5	8.9	6.0	14.2	13.6
Q2 2017	37.8	47.8	8.5	4.9	13.6	13.9
Q3 2017	43.3	46.3	8.6	5.9	11.2	14.2
Q4 2017	46.3	52.1	8.9	6.0	11.8	14.2
Q1 2018	48.1	61.3	8.6	5.6	13.3	14.0
Q2 2018	38.5	41.7	9.0	5.6	12.1	14.7
Q3 2018	49.8	46.2	8.8	5.6	12.6	14.5
Q4 2018	58.1	49.3	8.8	6.2	12.1	15.0

Source: Office for National Statistics

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2. Components may not sum to totals due to rounding. [Back to table](#)
3. Data for Quarter 1 2018 onwards remain provisional. [Back to table](#)
4. Q1 is Quarter 1 January to March, Q2 is Quarter 2 April to June, Q3 is Quarter 3 July to September and Q4 is Quarter 4 October to December. [Back to table](#)

7 . Holdings at market values

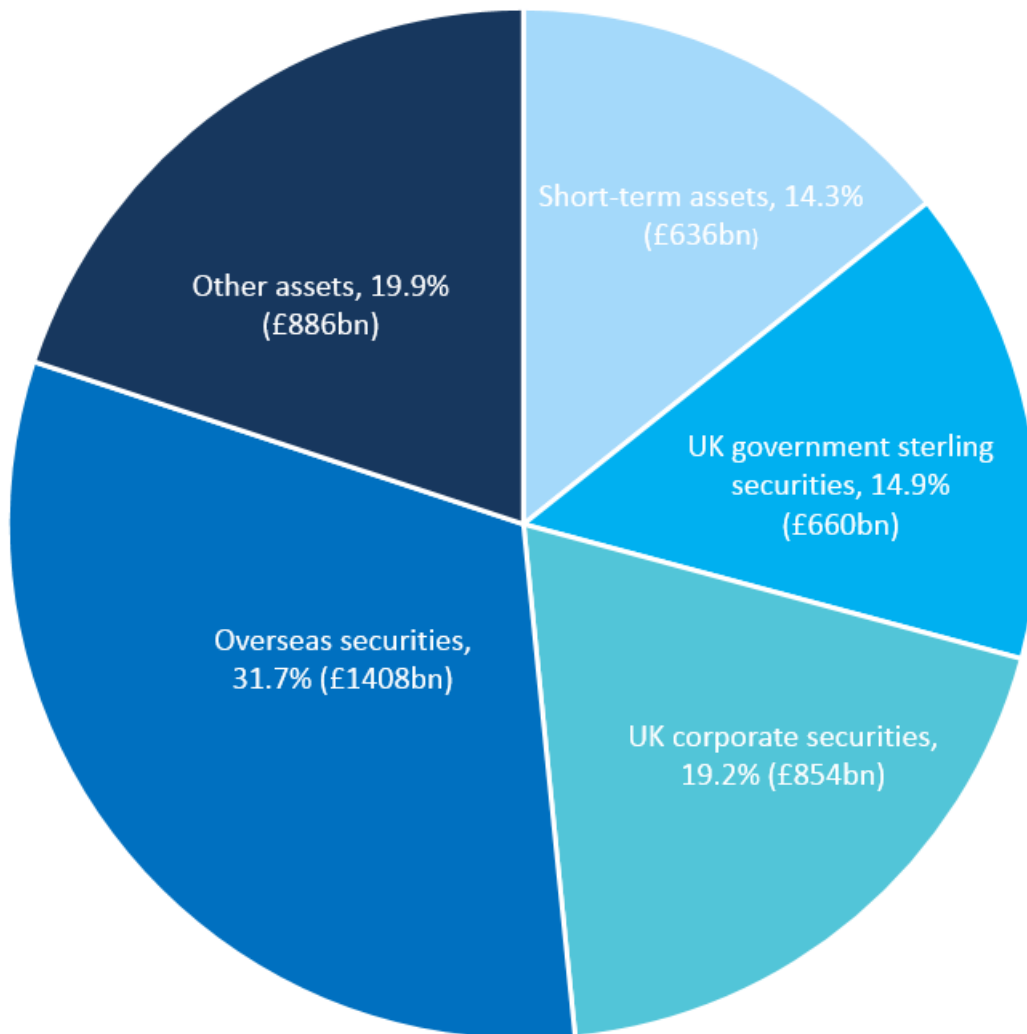
[See announcement in Section 2.](#)

The most recently available annual balance sheet data, providing information on the market value of asset holdings, are for 2017 (Figure 14). Market value is the quoted price at which assets are bought or sold, at a given time. An increase or decrease in the total holdings of assets reflects both the revaluation of assets held through the year and the balance between the sales of some assets and the purchase of others (net investment or transactions).

The total assets held by insurance companies, pension funds and trusts (at market values) has increased each year since 2008 and at the end of 2017 was valued at £4,444 billion.

Figure 14: Holdings at market values, in 2017, by asset type, as a proportion of total holdings

UK, 2017



Source: Office for National Statistics – Annual Balance Sheet Surveys

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In 2017, the total assets held in overseas securities was £1,408 billion, making this the largest asset type as a proportion of total holdings (31.7%).

8 . Accessing MQ5 data

[See announcement in Section 2.](#)

There are several ways to view the data underlying this release.

The [MQ5: Investment by insurance companies, pension funds and trusts dataset](#) shows data from both the quarterly and annual series:

- Tables A to D combine information from the different institutions
- Section 1 combines information from the long-term and general insurance surveys
- Section 2 covers information from the surveys of long-term insurance companies
- Section 3 covers information from the surveys of general insurance companies
- Section 4 covers information from the surveys of self-administered pension funds
- Section 5 covers information from the surveys of investment trusts
- Section 6 covers information from the surveys of unit trusts and property unit trusts

If you are interested in a particular series or groups of series covering a longer period of time (pre-2010), then you can access the [Investment by insurance companies, pension funds and trusts time series](#).

There is scope to expand coverage of these datasets and/or add further datasets. The Office for National Statistics (ONS) is keen to hear your views – please contact us by email at financial.inquiries@ons.gov.uk.

9 . Revisions

[See announcement in Section 2.](#)

A [revisions policy](#) is available to assist users with their understanding of the cycle and frequency of data revisions. You are strongly advised to read this policy before using these data for research or policy-related purposes. Please note that the quarters of 2018 will not be subject to further revision following this Quarter 4 (Oct to Dec) 2018 publication, due to the discontinuation of the MQ5 statistical bulletin (this is due to the redevelopment and replacement of the surveys associated with this publication).

Data for the first three quarters of 2018 have been revised, partly as a result of late questionnaires being received and partly as a result of disaggregate data revisions. In Quarter 3 (July to Sept) 2018, the estimate of net disinvestment has been revised up, from net disinvestment of £11,654 billion to net disinvestment of £8,248 billion.

Revisions to data provide one indication of the reliability of main indicators. A spreadsheet is available giving a [revisions triangle](#) of estimates of net investment from 1996 to date.

10 . Response rates

[See announcement in Section 2.](#)

The figures in this release are based on a system of quarterly and annual surveys collecting data on income and expenditure, transactions in financial assets and the balance sheet in separate surveys. Response rates in Quarter 4 (Oct to Dec) 2018 are broadly in line with the previous quarters' response rates.

Table 4: Overall response rate by survey
UK, Quarter 4 (Oct to Dec) 2018

Q4 2018	%
Transactions	
Long-term insurance companies	96.3
General insurance companies	90.8
Self-administered pension funds	87.7
Unit trusts	94.0
Investment trusts	87.0
Property unit trusts	75.0
Income and expenditure	
Long-term insurance companies	96.3
General insurance companies	92.3
Self-administered pension funds	87.5

Source: Office for National Statistics

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11 . Quality and methodology

[See announcement in Section 2.](#)

The [Investment by insurance companies, pension funds and trusts \(MQ5\) Quality and Methodology Information report](#) contains important information on:

- the strengths and limitations of the data and how it compares with related data
- uses and users of the data
- how the output was created
- the quality of the output including the accuracy of the data

It is important to note that the information held in the Quality and Methodology Information report relates to the composition of the MQ5 up to and including this (Quarter 4 (Oct to Dec) 2018) edition of the MQ5 publication. Quality and methodology criteria relating to any future compilation of investment statistics for insurance companies, pension funds and trusts will be reviewed, as part of the Enhanced Financial Accounts initiative (see the announcement in Section 2).

12 . Acknowledgements

The author, Fred Norris, would like to express his thanks to the following colleagues at the Office for National Statistics for their contributions to this work: June Baldwin; Kevin Buckthought; Rhiannon Davies; Hywel Fraser; Emma Morris; Suleman Mughal; Stuart Newman; Luke Weston; Thomas Wills and the Financial Inquiries and Trade Prices Team.