

Article

# Detailed assessment of changes to institutional sector accounts: 1997 to 2020

An indicative impact of changes to the main non-financial and financial accounts estimates being introduced when revised figures for the UK National Accounts are published on 30 September 2022.

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# 1 . Main points

- Between 1997 and 2020, there have been minimal revisions to the UK's net lending or borrowing position, reflecting offsetting revisions to households, non-financial and financial corporations' sectors.
- Private non-financial corporations saw an average revision of negative 0.2% to their net lending or borrowing as a percentage of gross domestic product (GDP) in the non-financial account, with revisions as a percentage of GDP ranging from negative 2.2% to positive 0.3%, as the impacts of several changes affected differently across years.
- Financial corporations saw an average revision of positive 0.3% to their net lending or borrowing as a percentage of GDP in the non-financial account, with revisions as a percentage of GDP ranging from positive 0.8% to negative 0.2%.
- Households saw an average revision of negative 0.2% to their net lending or borrowing as a percentage of GDP in the non-financial account, with revisions as a percentage of GDP ranging from positive 0.9% to negative 1.0%.
- The household saving ratio has been revised by an average of negative 0.1%.

## 2 . Methodology improvements affecting institutional sector accounts

This section discusses the largest methodological improvements undertaken in Blue Book 2022 that affect the non-financial and financial accounts.

We explained some substantial changes in [our Impact of Blue Book 2022 changes on current price and volume estimates of gross domestic product article](#). These include:

- changes to the measurement of insurance and pensions
- improvements to trade data

Further data improvements affecting non-financial and financial accounts are described in this section.

### Implementation of international banking statistics

Estimates of deposits with and loans from banks abroad are derived from the banking statistics of countries in the Bank for International Settlements (BIS) reporting area. The BIS [international banking statistics \(IBS\)](#) are a long-established and widely used dataset for monitoring the cross-border positions of internationally active banks. Improvements to the collection of BIS statistics now provide counterparty sector information.

For Blue Book 2022, this new information has been included in the UK national accounts and balance of payments from 2014 onwards. Previously, UK counterparty sector information has been based on proportions. The new counterparty data have also been used to re-assess previously estimated sector proportions between 2003 and 2013.

The sectors affected by this new data source are:

- private non-financial corporations
- financial corporations
- households
- non-profit institutions serving households
- rest of the world

## Listed ordinary shares

In 2022, the Office for National Statistics (ONS) improved coverage of listed shares by including UK shares listed on markets other than the London Stock Exchange (LSE). UK incorporated companies can list on any number of markets. They may do this for several reasons including to diversify and enlarge their investor pool, establish a presence in other countries, or access more capital.

In terms of listed shares, we use the LSE as its sole source of data, therefore omitting data for UK companies which use other markets to list. The scope of these markets includes the large international markets such as the New York Stock Exchange, the National Association of Securities Dealers Automated Quotations (NASDAQ), and the Stock Exchange of Hong Kong, as well as smaller domestic markets such as the Aquis Stock Exchange. To fill this gap, we acquired data for all UK companies listing outside of the LSE from a commercial data source. In conjunction with other data providers, we now have a more complete set of data for both shares and the resulting dividend payments for these companies.

The sectors affected by this enhanced data coverage are:

- private non-financial corporations
- financial corporations
- households
- non-profit institutions serving households
- rest of the world

## Bonds

As a result of our collaboration with the Bank of England (BoE), looking at debt securities and more specifically corporate bonds, we have improved our estimates in this area through two changes. Firstly, the inclusion of extra bond redemption data, sourced from the BoE for [other financial institutions](#), part of the financial institutions sector, has had a large impact on the balance sheet data for that sector. Secondly, a better understanding of the nature of the data received from the BoE has enabled us to replace an estimate with real data to account for the conversion of the data to market value. This has reduced both balance sheet and transactional data across most sectors.

The sectors affected by this change are:

- private non-financial corporations
- financial corporations
- non-profit institutions serving households
- rest of the world

## Insurance and pensions

We have introduced two new data sources for our Blue Book 2022 estimates. They have both enhanced coverage, quality, and granularity of data, which improves our estimates of non-financial and financial transactions for insurance and pensions. These are discussed in [Insurance and pensions methods changes: 1997 to 2020](#).

The sectors affected by these new data sources are:

- private non-financial corporations
- financial corporations
- central government
- local government
- households
- non-profit institutions serving households
- rest of the world

## Trade

In Blue Book 2022, the ONS have introduced methodological improvements to the travel and tourism estimates from the International Passenger Survey. These were outlined in [our Travel Trends: 2019 article](#) and discussed in [our Impact of Blue Book 2022 changes on current price and volume estimates of gross domestic product article](#).

The sectors affected by these improvements are:

- private non-financial corporations
- financial corporations
- households
- non-profit institutions serving households
- rest of the world

## Impacts of other changes and updated data sources

In this article, there are several other improvements that have not been individually identified. A more complete list of changes were described in [our Impact of Blue Book 2022 changes on current price and volume estimates of gross domestic product article](#).

In recent periods, updated data sources can be the cause of revisions that outweigh individual methodological improvements. This can lead to larger revisions in these periods, which for Blue Book 2022 is from 2018 onwards. In some instances, it can lead to a reversal in the direction of the overall revision from the discussed methodological changes. Selected updated data sources from 2018 onwards are noted in [Section 7: Data sources and quality](#).

## 3 . Indicative impact on the institutional sector accounts

This section sets out the estimates for the average indicative impact between 1997 and 2020 of all improvements introduced this year for selected institutional sectors.

## Impact on UK net lending and borrowing

There have been minimal average revisions to the UK's net lending or borrowing position as a percentage of gross domestic product (GDP). Revisions to households, private non-financial corporations and financial corporations are the largest drivers of change, with mean average revisions of negative 0.2%, negative 0.2% and positive 0.3% respectively between 1997 and 2020.

## Impact on the household saving ratio

The saving ratio has been revised downwards by an average of negative 0.1% in Blue Book 2022, with the largest single driver being the methodological changes to insurance and pensions data. Revisions to the saving ratio range from positive 1.5% to negative 1.2%.

# 4 . Indicative impacts on net lending or borrowing by sector

Not all sectors' indicative impacts on net lending or borrowing have been included in this article where there were very small revisions. Sectors not included in this section are available upon request.

## Private non-financial corporations

- The average revision to private non-financial corporations' net lending or net borrowing is negative £3.3 billion (negative 0.2% of GDP), mainly driven by updated dividends data from 2019 onward.
- The average revision to private non-financial corporations' financial net lending or net borrowing is negative £2.7 billion (negative 0.1% of GDP), mainly driven by new Bank for International Settlements (BIS) data.
- The average revision to private non-financial corporations' financial net worth is negative £169.9 billion (negative 8.8% of GDP), mainly driven by changes to insurance and pensions data.

## Financial corporations

- The average revision to financial corporations' net lending or net borrowing is positive £4.3 billion (positive 0.3% of GDP), mainly driven by changes to bonds data.
- The average revision to financial corporations' financial net lending or net borrowing is positive £1.5 billion (0.0% of GDP), mainly driven by changes to insurance and pensions data.
- The average revision to financial corporations' financial net worth is positive £174.1 billion (positive 8.6% of GDP), mainly driven by changes to bonds data.

## Households

- The average revision to households net lending or net borrowing was negative £3.2 billion (negative 0.2% of GDP), with revisions from updated trade data.
- The average revision to households' financial net lending or net borrowing is negative £3.8 billion (negative 0.3% of GDP), driven by several changes.
- The average revision to households' financial net worth is positive £30.4 billion (positive 0.9% of GDP), mainly driven by changes to insurance and pensions data.

## Non-profit institutions serving households

- The average revision to non-profit institutions serving households net lending or net borrowing is positive £2.0 billion (positive 0.1% of GDP), mainly driven by updated expenditure and trade data.
- The average revision to non-profit institutions serving households financial net lending or net borrowing is positive £0.7 billion (0.0% of GDP), mainly driven by changes to insurance and pensions data.
- The average revision to non-profit institutions serving households financial net worth is positive £1.4 billion (positive 0.1% of GDP), mainly driven by updated data on share holdings.

## Rest of the world

- The average revision to rest of the world net lending or net borrowing is positive £0.4 billion (0.0% of GDP), mainly driven by changes to trade data offset by bonds data revisions.
- The average revision to rest of the world financial net lending or net borrowing is positive £4.2 billion (positive 0.3% of GDP), mainly driven by new Bank for International Settlements (BIS) data offset by revisions to bonds data.
- The average revision to rest of the world financial net worth is negative £33.9 billion (negative 0.6% of GDP), mainly driven by new bonds data offset by changes to insurance and pensions data.

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## 5 . Detailed assessment of changes to institutional sector accounts data

[UK Economic Accounts: all data](#)

Dataset | Released 30 September 2022

Quarterly estimates of national product, income and expenditure, sector accounts and balance of payments

## 6 . Glossary

### Saving ratio

Gross saving is equal to the difference between disposable income (including an adjustment for the change in employment-related pension entitlements) and final consumption expenditure.

The saving ratio shows gross saving (numerator) as a percentage of disposable income (denominator), with the rate a reflection of the part of disposable income that is available to acquire financial and non-financial assets.

### Other financial institutions

Other financial institutions, except the insurance corporations and pension funds subsector (S.125), consists of all financial corporations and quasi-corporations which are principally engaged in financial intermediation. This is by incurring liabilities in forms other than currency, deposits, or investment fund shares, or in relation to insurance, pension, and standardised guarantee schemes from institutional units.

## Net lending or borrowing

Net lending is the net amount a unit or a sector has available to finance, directly or indirectly, other units or other sectors. Net lending is the balancing item in a sector's capital account. Net lending refers to a positive balance and net borrowing refers to a negative balance.

## 7 . Data sources and quality

Selected updated data sources from 2018 onwards include the following.

### HM Revenue and Customs (HMRC) Pay as you earn (PAYE) data

- Primary affected sector: households.
- Affected transaction(s): wages and salaries (D.11).
- Affected account: non-financial sector account.

### HMRC self-assessment data

- Primary affected sector: households.
- Affected transaction(s): mixed income (B.3g).
- Affected account: non-financial sector account.

### Annual Business Survey retail sales estimates

- Primary affected sector: households.
- Affected transaction(s): household final consumption expenditure (P.3).
- Affected account: non-financial sector account.

### Corporation and income tax accruals

- Primary affected sector: central government, financial corporations, households, and private non-financial corporations.
- Affected transaction(s): other accounts receivable or payable excluding trade credits and advances (F.89).
- Affected account: financial account.

### Real-time market data

- Primary affected sector: rest of the world, financial corporations, private non-financial corporations
- Affected transaction(s): medium- and long-term bonds issued by UK Monetary Financial Institutions (MFIs) and other residents (F.32N56).
- Affected account: financial account and non-financial sector account.

## Foreign direct investment (FDI) benchmark data

- Primary affected sector: rest of the world, private non-financial corporations, financial corporations, households, non-profit institutions serving households (NPISH).
- Affected transaction(s): loans (F.4) and equity (F.5).
- Affected account: financial account and non-financial sector account.

## Wealth and Assets Survey

- Primary affected sector: financial corporations, households, NPISH
- Affected transaction(s): UK Mutual Funds (F.52N1)
- Affected account: financial account

## 8 . Future developments

We will announce further methodological improvements that affect the non-financial and financial accounts of the UK institutional sectors in our article, Proposed changes to be implemented in Blue Book and Pink Book 2023, scheduled for release in early 2023.

## 9 . Related links

[Detailed assessment of changes being introduced to balance of payments annual estimates, 1997 to 2020](#)

Article | Released 12 September 2022

Forthcoming changes and their indicative impact on main balance of payments and international investment position (IIP) estimates, to be introduced when revised figures for the UK National Accounts and Balance of Payments, consistent with Blue Book 2022 and Pink Book 2022, are released.

[Impact of Blue Book 2022 changes on gross domestic product](#)

Article | Released 22 August 2022

Impact of methodological and data improvements on current price and chain volume measure of quarterly gross domestic product (GDP), 1997 to 2020. Includes indicative annual impacts on the services, production, and construction sectors.

[Impact of Blue Book 2022 changes on current price and volume estimates of gross domestic product](#)

Article | Released 27 June 2022

Methodological and data improvements that affect current price and chain volume measure of gross domestic product (GDP), 1997 to 2020.

## 10 . Cite this article

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