Statistical bulletin

The UK national balance sheet estimates: 2019

Annual estimates of the market value of financial and non-financial assets for the UK, providing a measure of the nation's wealth.

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1 . Main points

- The UK’s net worth was estimated at £10.4 trillion in 2018, an average of £156,000 per person.
- Growth in the UK’s net worth was estimated at 3.0% or £297 billion between 2017 and 2018; this was the weakest annual growth since 2012, and below the compound annual growth between 2009 and 2018 of 4.9%.
- The household sector’s net worth grew by just 0.6%, or £58 billion, to £10.3 trillion between 2017 and 2018, because of slow growth in the value of land and an increase in financial liabilities.
- General government’s net worth rose by 3.3% or £33 billion to negative £939 billion between 2017 and 2018, the result of relatively small changes in both financial and non-financial net worth.
- In 2018, financial net worth dropped by 7.7% or £16 billion to negative £224 billion, with large decreases in equity and investment fund shares being substantially offset by increases in currencies and deposits.

2 . Things you need to know about this release

This annual bulletin provides updated estimates of the market value of financial and non-financial assets in the UK for the period 1995 to 2018. The national balance sheet is a measure of the wealth, or total net worth, of the UK. It shows the estimated market value of financial assets, (for example, loans) and non-financial assets (for example, dwellings). The data are used to monitor economic performance, to inform monetary and fiscal policy decisions and for international comparisons.

All data referred to in this bulletin are annual estimates at current prices and include changes in prices, as well as in the volume of assets. All data use market value which is an estimate of how much these assets would sell for if sold on the market.

These estimates are consistent with the UK National Accounts, The Blue Book: 2019, and are compliant with the European System of Accounts 2010 (ESA 2010). The data for this bulletin are available in the accompanying dataset as well as in Chapter 9 of the 2019 Blue Book. The section on quality and methodology below provides information on coverage, quality and how to use the data.

Revisions

There have been a number of changes in this year's publication:

- changes to estimates of net capital stock
- revisions to financial data

More information on these changes can be found in the "What has changed in this publication?" section.

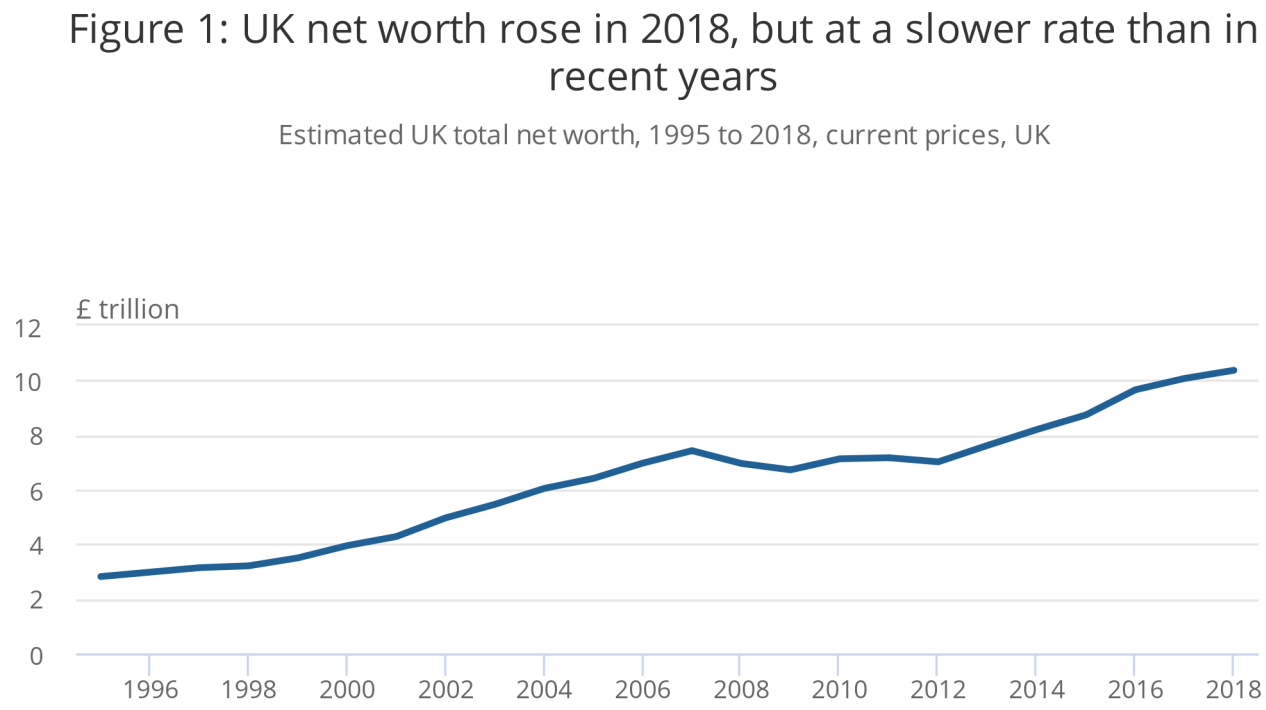
As part of the continuous improvement process, there are revisions to the estimates for the period 1995 to 2017. This has resulted in reductions of between £58 billion and £200 billion to the estimate of UK total net worth across the annual time series.

3 . UK net worth experiences its lowest annual growth since 2012

The UK's net worth reached £10.4 trillion in 2018, rising by £297 billion since 2017. This is an average of £156,000 per person in the UK. Growth in net worth between 2017 and 2018 was weaker than recent years, rising by 3.0% compared with compound annual growth between 2009 and 2018 of 4.9%, and 6.7% between 2012 and 2018. This was the weakest annual growth in UK net worth since 2012.

Figure 1: UK net worth rose in 2018, but at a slower rate than in recent years

Estimated UK total net worth, 1995 to 2018, current prices, UK



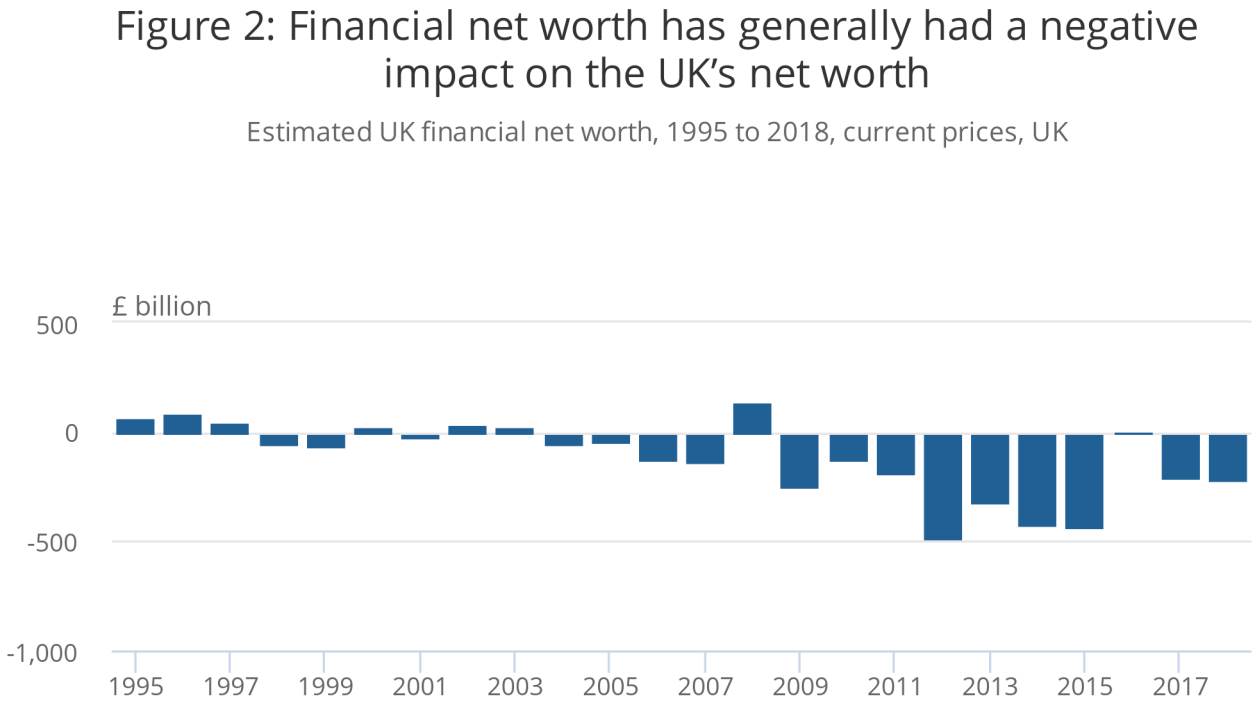
Source: Office for National Statistics

The rise in UK net worth was the result of increases in the value of non-financial assets which rose by £313 billion in 2018 to £10.6 trillion. The main asset contributing to this rise was land which rose by £125 billion, while buildings also had a large impact with dwellings and other buildings and structures rising by £85 billion and £67 billion respectively.

Although land was the largest contributor to UK net worth, this rise was significantly lower than previous years. In comparison, the value of land in the UK rose by £437 billion between 2016 and 2017. Financial assets had a negative impact on UK net worth with the UK's net financial worth reaching negative £224 billion in 2018.

Figure 2: Financial net worth has generally had a negative impact on the UK's net worth

Estimated UK financial net worth, 1995 to 2018, current prices, UK



Source: Office for National Statistics

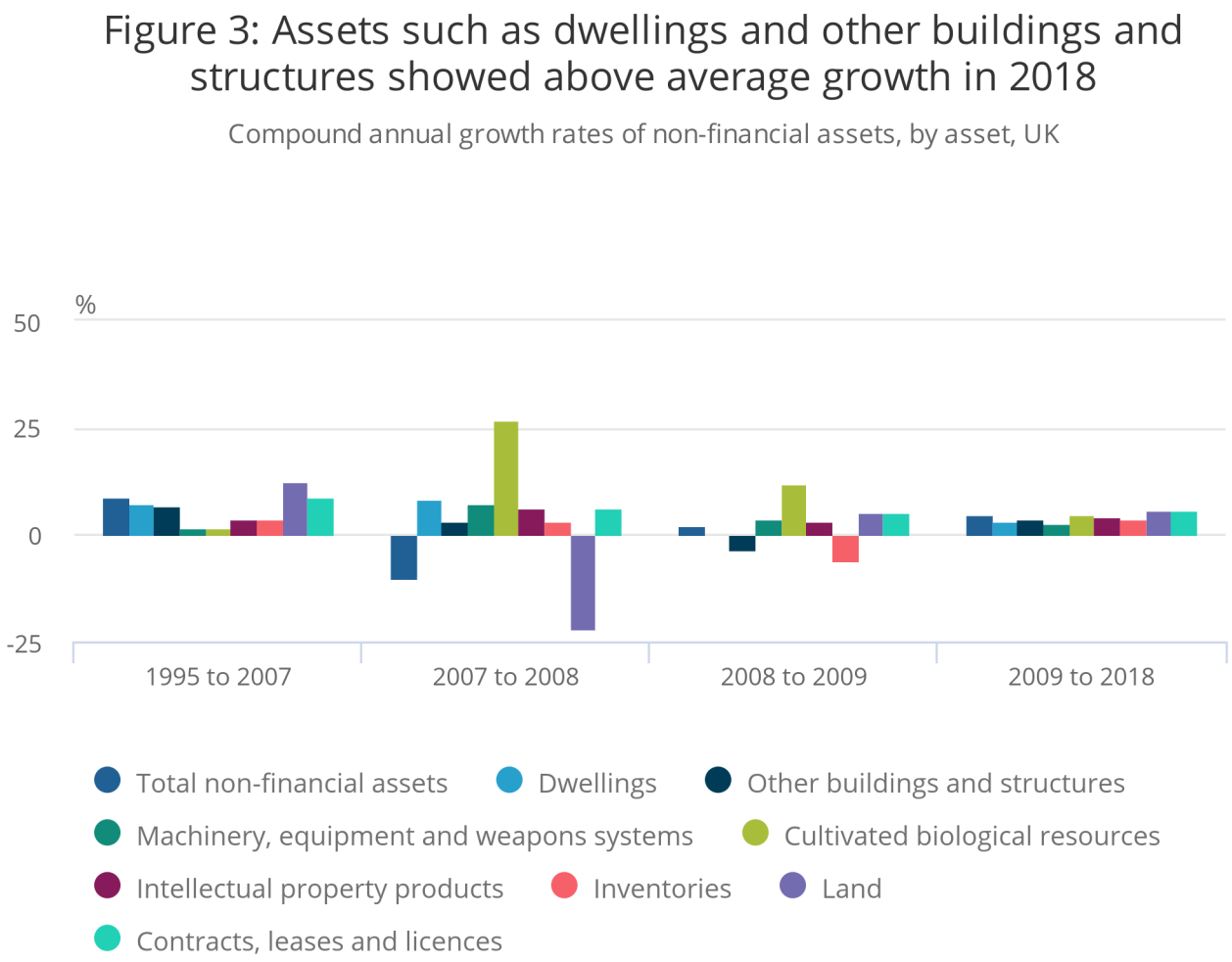
4 . Growth in non-financial assets has been lower in recent years than before the economic downturn

The annual growth in non-financial assets matches that of UK total net worth, at 3.0% in 2018. This is lower than the compound annual growth of 4.8% seen since the economic downturn and much lower than before the economic downturn, when compound annual growth was 8.8% between 1995 and 2007 (figure 3).

While several assets, such as buildings, intellectual property products and inventories grew faster than average compared to recent years, the main factor reducing overall growth was the slow growth in the value of land during 2018 which grew by just 2.1%, the lowest annual growth since 2012. Figure 4 shows how important land is to growth in net worth, accounting for 40% of growth in net worth in 2018, and 69% in 2017.

Figure 3: Assets such as dwellings and other buildings and structures showed above average growth in 2018

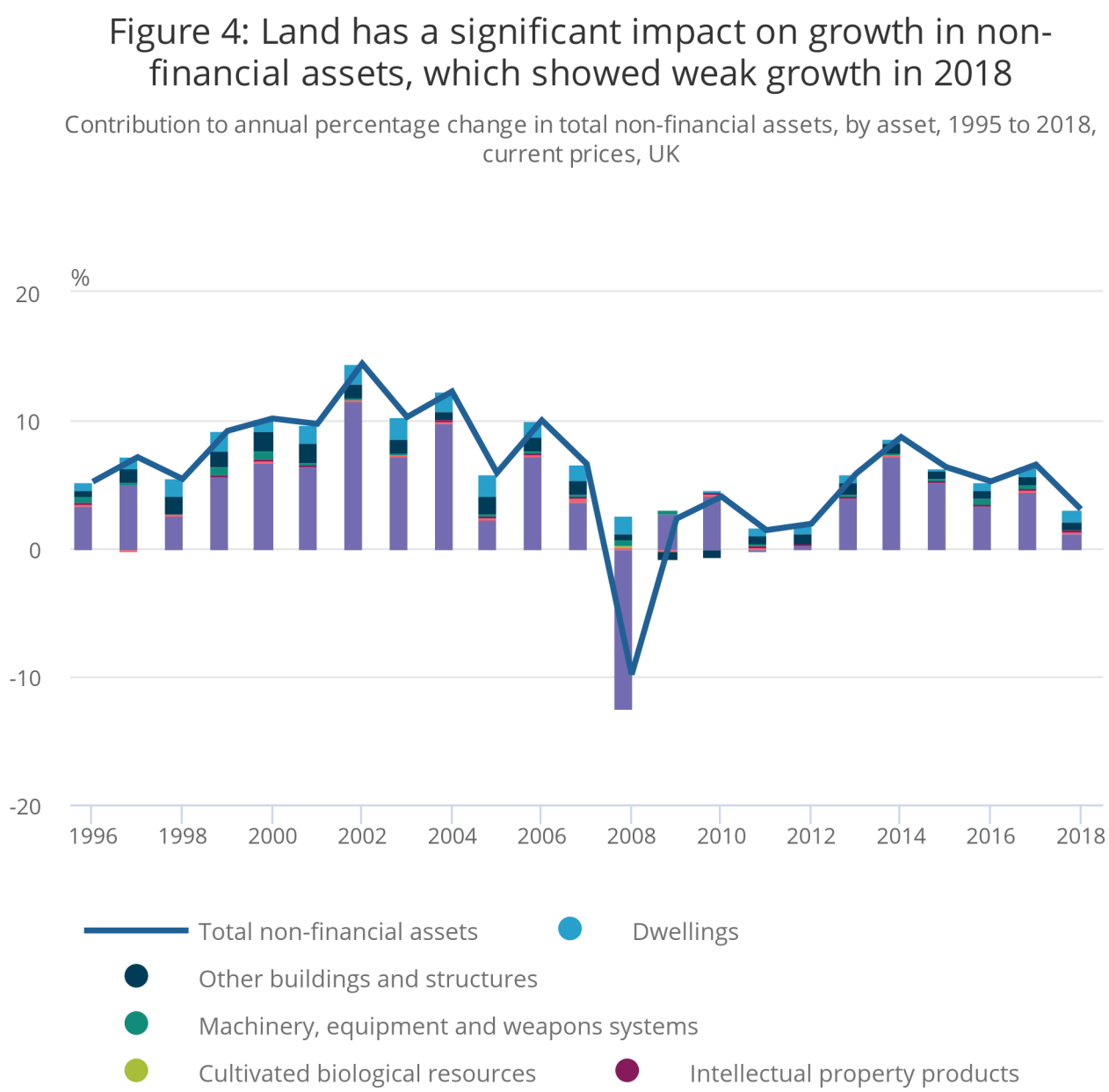
Compound annual growth rates of non-financial assets, by asset, UK



Source: Office for National Statistics

Figure 4: Land has a significant impact on growth in non-financial assets, which showed weak growth in 2018

Contribution to annual percentage change in total non-financial assets, by asset, 1995 to 2018, current prices, UK



Source: Office for National Statistics

Figure 5 shows the difference in balance sheet growth of each of the UK institutional sectors since 1995. Prior to the economic downturn, there was substantial growth in non-financial assets. This was particularly affected by the strong growth in the household sector, which accounted for between 42% and 57% of the UK's non-financial assets over this period.

During the economic downturn, almost every sector saw a decrease in the value of non-financial assets, with the household sector being hit the hardest, decreasing by 14% as house prices dropped.

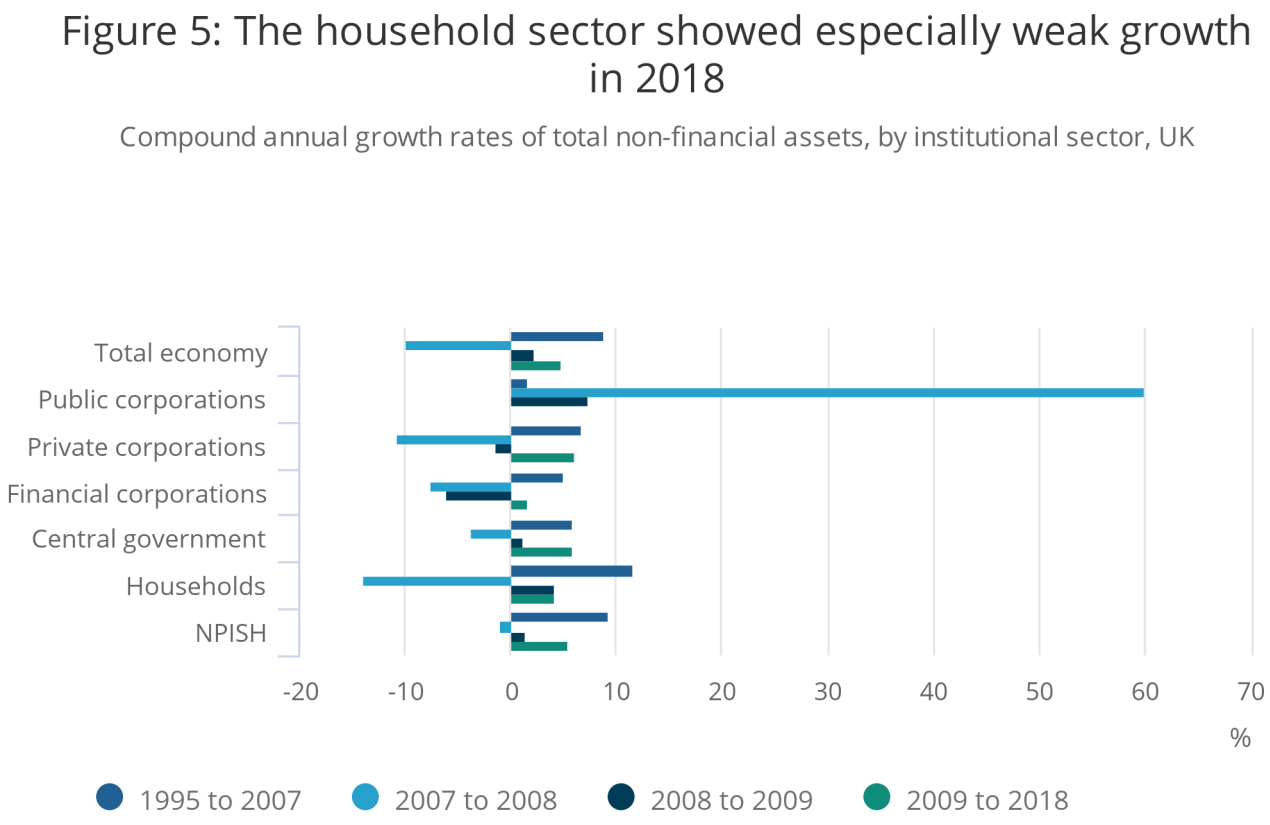
The exception to this was public corporations which grew by 60% as a result of the reclassification of housing associations from private to public corporations during 2008.

Since the economic downturn, growth has been lower than before, with sectors such as public corporations and financial corporations and households being most affected.

The weaker growth in non-financial assets during 2018 was reflected by most sectors, with only non-profit institutions serving households (NPISH) and public corporations showing better than UK average growth since 2009. These two sectors have little impact on the total growth as they contain relatively few non-financial assets compared with other sectors.

Figure 5: The household sector showed especially weak growth in 2018

Compound annual growth rates of total non-financial assets, by institutional sector, UK



Source: Office for National Statistics

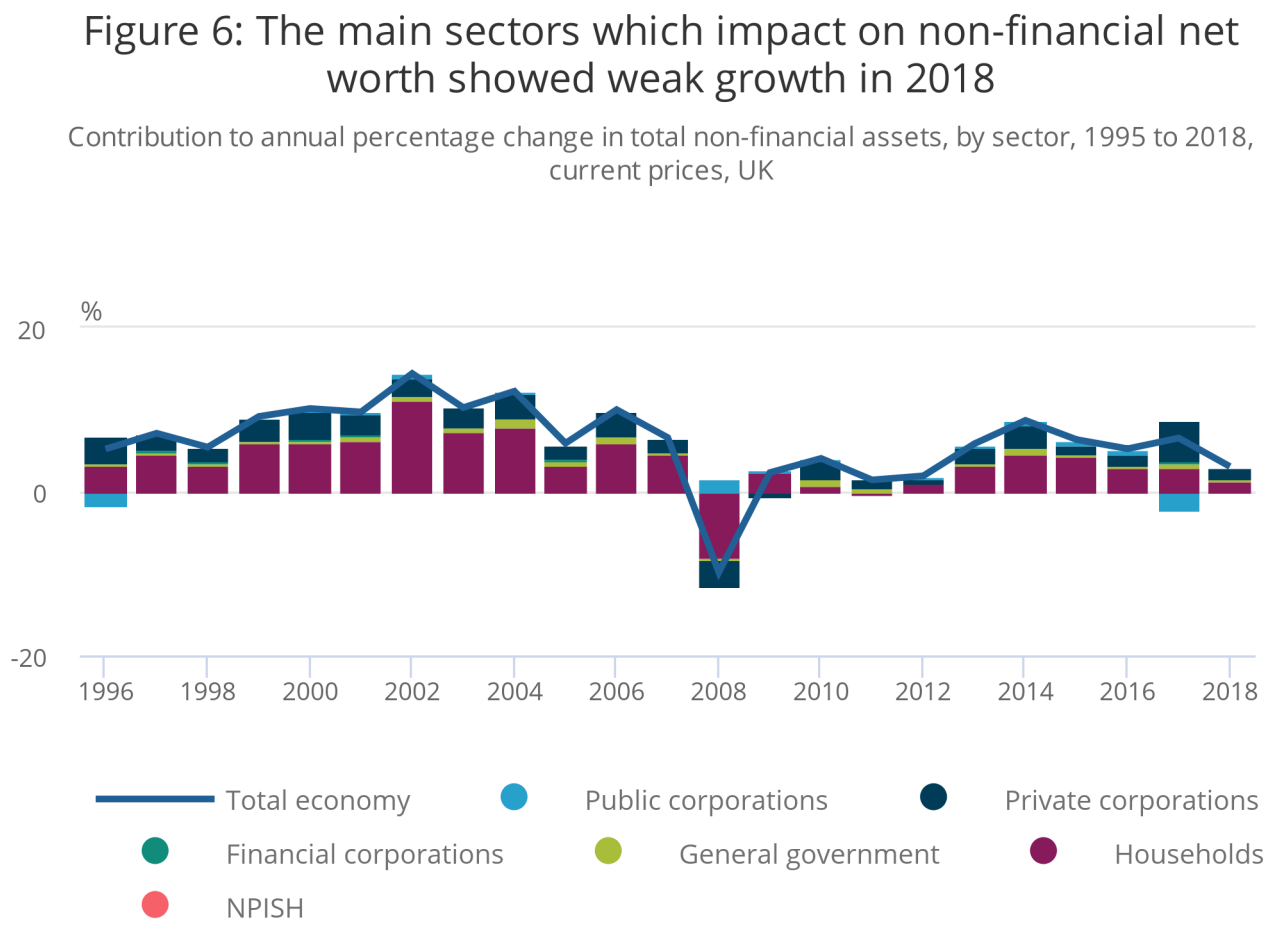
Notes:

1. The large change between 2007 to 2008 in public corporations was the result of the reclassification of housing associations from private to public corporations during 2008

Figure 6 shows how the lower sector growth in 2018 impacted the growth in non-financial assets. The biggest contributors to growth across the time series are households and non-financial corporations, which experienced a 2.4% and 4.0% growth in non-financial assets respectively. This was below the compound annual growth for these sectors between 1995 to 2018, which was 5.3% and 7.2% respectively.

Figure 6: The main sectors which impact on non-financial net worth showed weak growth in 2018

Contribution to annual percentage change in total non-financial assets, by sector, 1995 to 2018, current prices, UK



Source: Office for National Statistics

5 . Growth of net worth in the household sector slows

The household sector was by far the largest contributor to UK net worth. In 2018, its value stood at £10.3 trillion. Annual growth in UK net worth is generally supported by strong growth in the household sector. However, growth in the net worth of the household sector dropped significantly during 2018 to just 0.6% or £58 billion, the result of a slowdown of growth in non-financial assets and a decrease in financial net worth held by this sector.

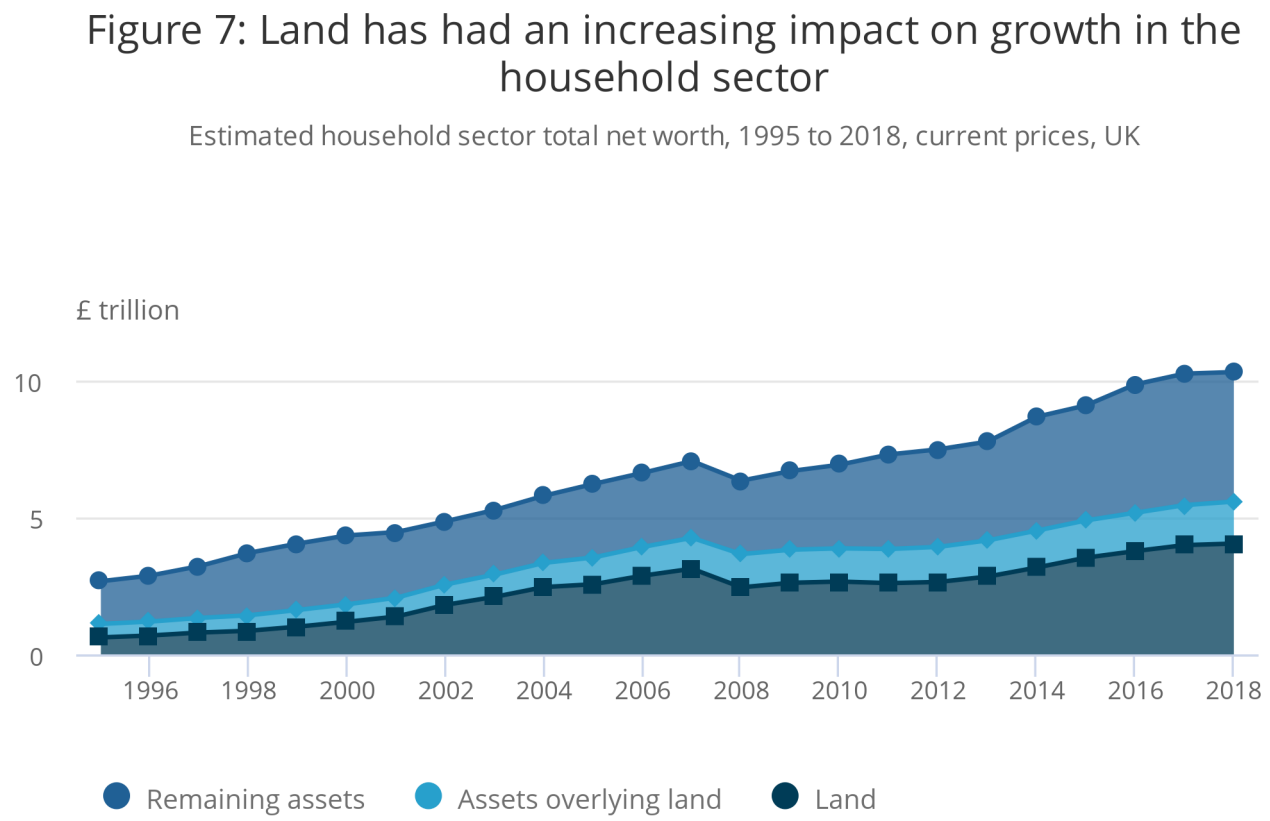
In comparison, the 2017 growth in household sector net worth was 4.0%, while the 2018 increase is the lowest seen since 2008.

The drop-off in growth in non-financial assets was principally the result of reduced growth in the value of land, although this did rise by £57 billion to £4.057 trillion in 2018. This was a rise of just 1.4% which has a significant effect on household net worth as land accounts for 39% of the net worth of the sector.

Because most of the land in the household sector is underlying dwellings, much of this slowdown was the result of decreased growth in house prices. This was supported by the House Price Index, which showed a slowdown in house price growth during 2018, lower than average compared with recent years.

Figure 7: Land has had an increasing impact on growth in the household sector

Estimated household sector total net worth, 1995 to 2018, current prices, UK



Source: Office for National Statistics

Notes:

1. Assets overlying land includes dwellings, other buildings and structures and cultivated biological resources.

Along with weak growth in the non-financial sector, the household sector’s financial net worth decreased by £74 billion to £4.700 trillion in 2018. This was the first time since 2008 that the household sector has seen a decrease in financial net worth. This is the result of decreases in the net value of insurance, pension and standardised guarantee schemes, and equity and investment fund shares, which dropped by £62 billion and £21 billion respectively.

6 . General government net worth remains stable for a second consecutive year

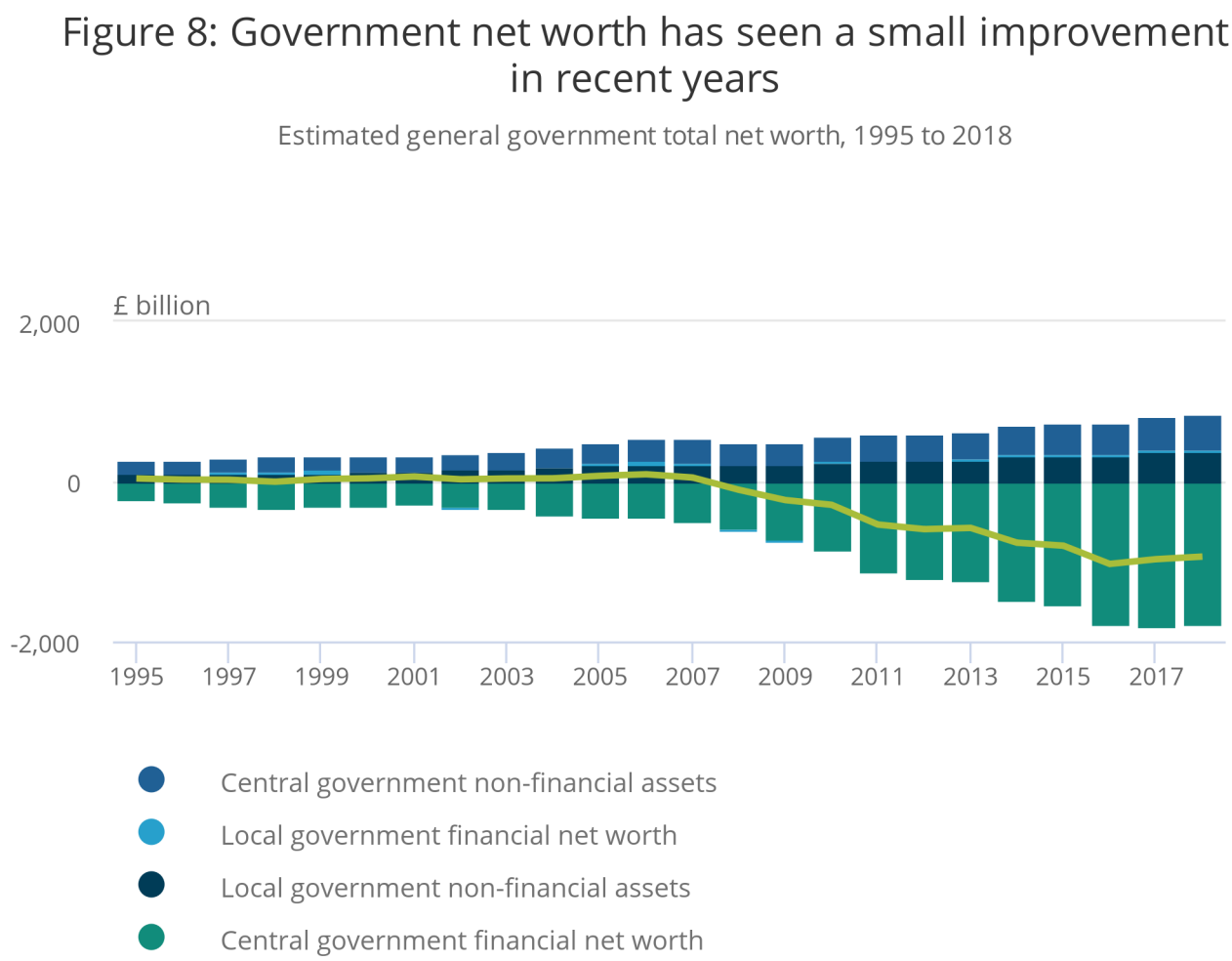
In 2018, general government net worth was valued at negative £939 billion, a relatively small 3.3% or £33 billion increase from 2017, where it was valued at negative £972 billion. General government is not the whole public sector; it comprises central and local government, but not publicly-controlled financial and non-financial corporations.

Central government net worth rose by £19 billion to negative £1.352 trillion in 2018. Non-financial assets made up most of this increase, rising by £14 billion in 2018 to £441 billion. This was mainly from other structures and land, both of which contributed an increase of £5.9 billion. Financial net worth showed little change from 2017, rising by £5 billion to negative £1.792 trillion. It is worth noting that the estimates of government financial data in this release differ from those published in Public sector finances.

While the UK national balance sheet presents all data at market value, the public sector finances records debt securities at face value, which represents the amount due to be repaid. Local government net worth increased to £412 billion in 2018 from £399 billion in 2017. This reflected a small rise in non-financial assets, particularly for buildings and land.

Figure 8: Government net worth has seen a small improvement in recent years

Estimated general government total net worth, 1995 to 2018



Source: Office for National Statistics

7 . There was relative stability in the UK’s financial net worth in 2018

The UK’s financial net worth has remained relatively stable since 2017, decreasing by £16 billion to negative £224 billion in 2018. Table 1 shows how the annual change in net worth breaks down between financial assets and liabilities. Decreases in the value of most financial assets were offset by decreases in financial liabilities which has a positive impact on net worth.

Equity and investment fund shares and units showed the biggest annual change, declining by £247 billion in 2018. This decrease was offset by other financial assets, mainly currency and deposits which rose by £185 billion.

Table 1: Changes in financial assets and liabilities resulted in little difference to the UK financial net worth
Impact of financial assets and liabilities on annual changes in financial net worth, by asset, 2018

£ billion

Financial asset or liability	Change in assets from 2017	Change in liabilities from 2017	Net change from 2017
Monetary gold and special drawing rights	+2	0	+2
Currency and deposits	+379	+194	+185
Debt Securities	+34	+31	+3
Loans	+200	+170	+30
Equity and investment fund shares and units	-463	-216	-247
Insurance, pension and standardised guarantee schemes	-124	-125	+1
Financial derivatives and employee stock options	-452	-461	+9
Other accounts receivable or payable	+20	19	+1
Total	-404	-388	-16

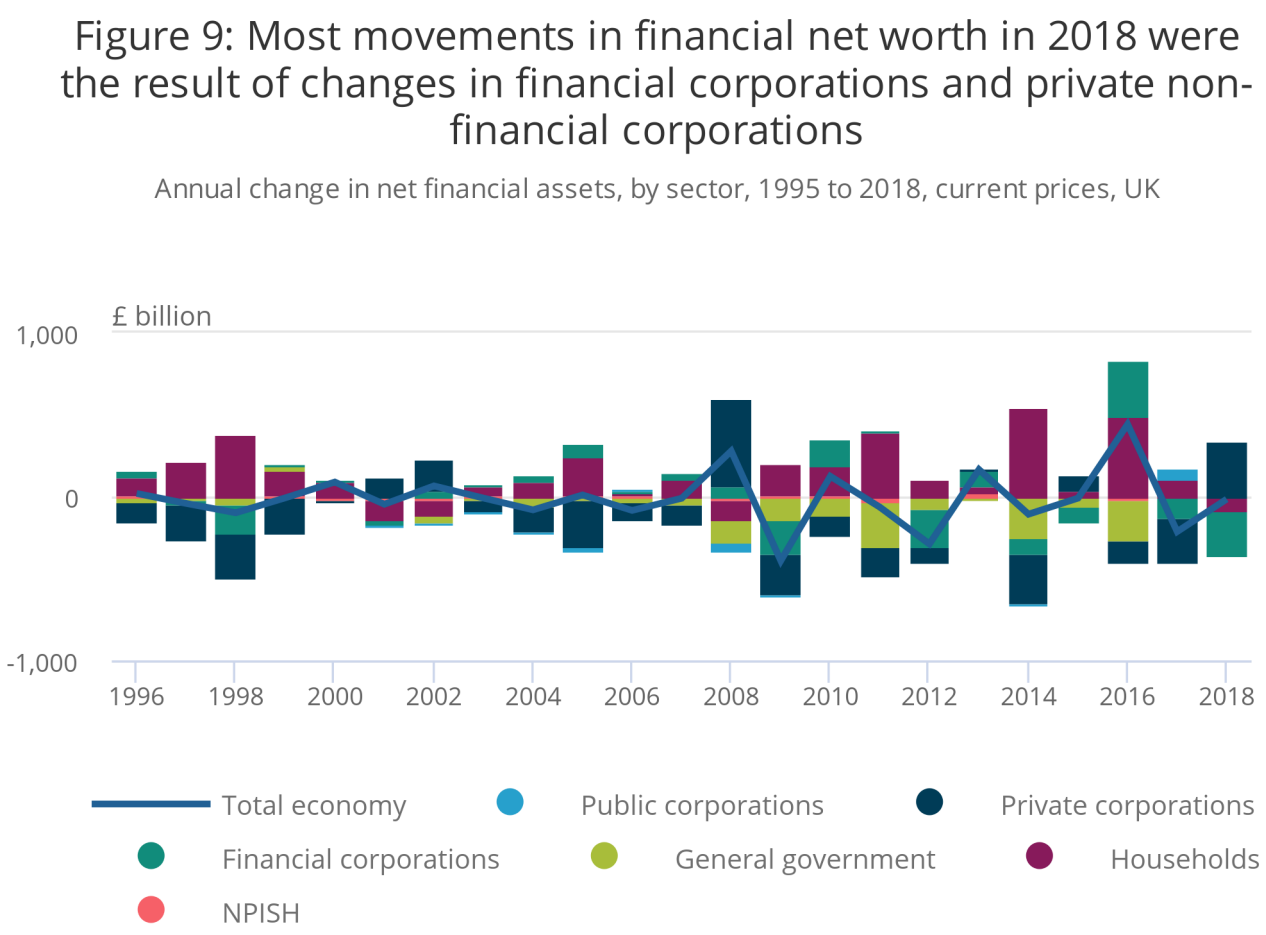
Source: Office for National Statistics

While there was little overall change in the UK’s financial net worth in 2018, there were still large movements in several institutional sectors. The financial net worth of financial corporations dropped by £283 billion in 2018, mainly from a large drop in the value of assets in equity and investment fund shares, which had decreased in value by £453 billion since 2017. The main drop in this asset was from shares and other equity issued by the rest of the world, decreasing by £264 billion in 2018, though listed UK shares also contributed, dropping by £123 billion.

This large decrease in financial net worth of financial corporations was offset by increases in private non-financial corporations, which saw a rise in financial net worth of £334 billion. This increase was also the result of changes in equity and investment fund shares, which saw the value of its liabilities decrease by £201 billion, mainly the result of decreases in listed UK share liabilities of £226 billion.

Figure 9: Most movements in financial net worth in 2018 were the result of changes in financial corporations and private non-financial corporations

Annual change in net financial assets, by sector, 1995 to 2018, current prices, UK



Source: Office for National Statistics

8 . Links to related statistics

The national balance sheet dataset was published in Chapter 9 of the UK National Accounts, The Blue Book: 2019 . Data published in this release are consistent with the Blue Book 2019 publication.

Data for fixed assets are consistent with estimates published in the Capital stocks and consumption of fixed capital: 2019 release.

Population estimates are sourced from Mid-2018 population estimates for the UK for calculations of net worth average per person.

9 . What has changed in this release?

Revisions to estimates of net capital stock

There have been a number of improvements to the methodology used to calculate net capital stock estimates implemented in this year's publication. The main changes to the methodology were:

- a review of asset life lengths, resulting in significant changes to life lengths in many assets
- changes in how transfer costs are treated within capital stocks
- changes to the depreciation patterns used for assets

The full list of improvements made to the capital stocks system can be found in the National Accounts article Changes to the capital stock estimation methods for Blue Book 2019, while the impact of these changes can been found in the National Accounts article Latest developments and changes to capital stocks to be implemented in Blue Book 2019.

Non-financial corporations

As a result of the changes to net capital stocks, the breakdown of non-financial corporations into public non-financial corporations and private non-financial corporations is now available in the tables accompanying this bulletin.

Machinery, equipment and weapon systems

The breakdown of the asset machinery, equipment and weapon systems for the local and central government sectors is not available from the net capital stocks dataset. As a result, these data and the totals that are derived from these data are not shown in the tables accompanying this bulletin.

Land improvements

The value of land improvements has been separated from the value of other buildings and other structures, and is now published as a separate asset under other buildings and structures.

Changes to published series

The changes mentioned above have caused changes in the number of series that have been published in this release. A full list of the changes in published series can be seen in the accompanying data tables.

10 . Upcoming future changes to this bulletin

There are a number of improvements planned for net capital stock and balance sheet estimates which will affect the value of non-financial assets in the national balance sheet. We have listed them in this section and included these improvements in our future development plan for non-financial assets. We will keep you informed as this work progresses.

Historic dwelling estimates

Alternative data sources are being investigated for use in the estimates of dwellings for periods pre-1997. This may result in revisions to net capital stock estimates of dwellings for 1995 to 1996.

Transfer costs

Further improvements are planned for how transfer costs are handled in net capital stocks, which may result in small revisions to net capital stocks when implemented.

Housing associations

The changes made to housing associations in England will be replicated for Wales, Scotland and Northern Ireland. This involves reversing the reclassification from private non-financial corporations to public corporations that took place in Blue Book 2018. This change will not affect the total level of dwellings.

Revised land underlying dwellings methodology

The current methodology used to calculate the value of land underlying dwellings is being reviewed and may be subject to revision to help improve the quality of estimates. This may cause revisions to estimates of the value of land across the time series.

11 . Quality and methodology

The Non-financial balance sheet Quality and Methodology Information (QMI) report contains important information on:

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