

Statistical bulletin

# Profitability of UK companies: April to June 2017

The net rate of return on capital employed for UK private non-financial corporations related to their UK operations.



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# 1 . Main points

- Private non-financial corporations (PNFCs) reported a slight decline in net rate of return from 12.9% for Quarter 1 (Jan to Mar) 2017 to 12.6% in Quarter 2 (Apr to June) 2017.
- The net rate of return for UK continental shelf (UKCS) companies fell to 3.2% in Quarter 2 2017, the first quarterly decline in profitability since Quarter 2 2016.
- Manufacturing companies' net rate of return remained unchanged at 15.3%.
- Services companies' rate of return decreased to 16.5% in Quarter 2 2017 compared with 18.6% in Quarter 1 2017.

## 2 . Things you need to know about this release

This bulletin provides estimates of the profitability of UK-based private non-financial corporations (PNFCs). PNFCs comprise UK continental shelf (UKCS) companies and other non-financial UK (non-UKCS) companies. Non-UKCS companies are further split into manufacturing companies, companies providing non-financial services and other industries (including construction, electricity and gas supply, agriculture, mining and quarrying).

UKCS companies engage in oil and natural gas exploration or extraction. This only includes companies operating on the UK continental shelf – the area where the UK claims mineral rights beyond the territorial waters. Owing to the nature of the industry, UKCS companies tend to be very capital-intensive and so require high levels of capital investment to operate. They also report high levels of depreciation of their fixed assets. For these reasons, the net rate of return for UKCS companies is not directly comparable with those for other sectors.

Revisions to the net rates of return for PNFCs have been made back to Quarter 1 (Jan to Mar) 1997 and are consistent with the [Blue Book](#) 2017, published on 31 October 2017.

### How do we measure profitability?

Net rate of return is used as the measurement of company profitability throughout this bulletin, except in the international comparisons section. The rate of return is calculated as the economic gain (profit) shown as a percentage of the capital used in production. "Net" refers to the rate of return after having accounted for the current value of capital consumed and capital stocks. Capital consumed refers to the decline in the current value in the stock of fixed assets (for example, due to depreciation). Gross rates of return are available in the Annex tables of this release.

## 3 . Profitability of Private Non-Financial Corporations

Despite an increase in UK gross domestic product (GDP) in volume terms of 0.3% between Quarter 1 (Jan to Mar) 2017 and Quarter 2 (Apr to June) 2017, as reported in the bulletin [Quarterly national accounts: April to June 2017](#), the net rate of return for private non-financial corporations (PNFCs) as a whole fell slightly in Quarter 2 2017, from 12.9% in Quarter 1 2017 to 12.6% (Figure 1). According to Ernst and Young, [UK companies issued 45 profit warnings in Quarter 2 2017](#) (PDF, 943KB) (the lowest number since Quarter 2 2010). Software and support services, and general retailers were the FTSE industries with the most profit warnings in Quarter 2 2017 (12 and 7 warnings respectively). Stronger economic growth and falling forecasts combine to lower the number of warnings.

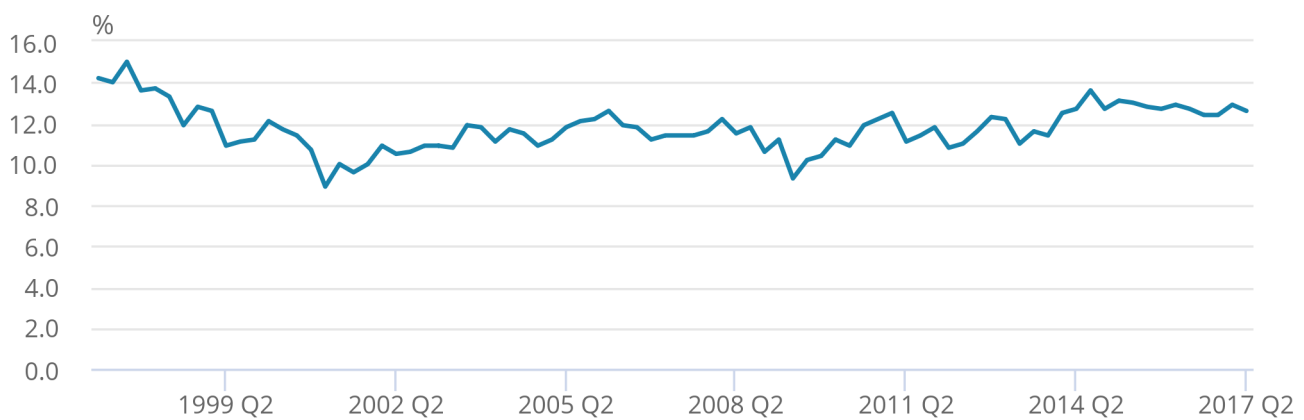
The [Bank of England Quarter 2 2017 Agents' Report](#) (PDF, 78KB) suggests moderate underlying growth in activity had continued overall. Export volume growth had continued to increase, supported by the depreciating sterling exchange rate and stronger world growth. However, the report notes that annual sales growth in volume terms had continued to slow (Bank of England). The [IHS Markit UK Business Outlook](#) (PDF, 808KB) found UK business optimism fell in June, caused mainly by the weakest services industries confidence for seven years following the decline in the rate of return in Quarter 2 2017 (Markit Economics).

**Figure 1: Quarterly net rate of return for private non-financial corporations, Quarter 1 (Jan to Mar) 1997 to Quarter 2 (Apr to June) 2017**

UK

Figure 1: Quarterly net rate of return for private non-financial corporations, Quarter 1 (Jan to Mar) 1997 to Quarter 2 (Apr to June) 2017

UK



Source: Office for National Statistics

Notes:

1. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

## 4 . The profitability of manufacturing companies held steady whilst services companies' profitability dropped by 2 percentage points

## Manufacturing companies

According to the [Monthly Economic Commentary](#) production and construction both acted as a drag on the UK economy in Quarter 2 (Apr to June) 2017. These sectors combined reduced gross domestic product (GDP) growth by around 1 percentage point.

The manufacturing rate of return has followed a general increasing trend since late 2009, with Quarter 2 2017 dropping off slightly. This coincided with gross value added (GVA) decreasing over the same period, but also following an upwards trend ([UK GDP\(O\) low level aggregates dataset](#)). [Production](#) decreased by 0.4% in the three months to June 2017 compared with the three months to March 2017, due mainly to a 0.6% fall in manufacturing. The largest contribution to the decrease was from transport equipment, which fell by 2.2%.

The [Bank of England Quarter 2 2017 Agents' Report](#) however, suggested the growth in manufacturing output had picked up and the fall in sterling and a stronger world economy had led to a marked increase in export volume growth. Growth was strongest in the pharmaceutical, aerospace, automotive and construction-related sectors. The report suggests the direct impact of the depreciation of sterling on the cost of inflation for manufacturers' raw materials had eased. Increased costs continued to pass through supply chains into retail prices. This could explain why the rate of return on manufacturing follows an increasing trend but dropped slightly if the costs aren't fully absorbed into sales prices.

## Services companies

The net rate of return for services industries companies fell from 18.6% in Quarter 1 2017 to 16.5% in Quarter 2 2017 (Figure 2), as services companies expanded their use of capital and experienced a fall in the level of profits. This occurred despite an increase in the volume of output in the services industries, with growth of 0.4% between Quarter 1 2017 and Quarter 2 2017 ([UK GDP\(O\) low level aggregates dataset](#)).

The IHS Markit UK Business Outlook for Quarter 2 2017 found the services industries to have the "lowest degree of confidence since June 2010", referencing comments by service providers on "risk aversion and a reduced willingness to spend among clients" and "expectations of subdued domestic consumer demand ahead, driven by stretched household budgets".

Hotels and restaurants were the least optimistic about business activity in the next 12 months due to fragile demand and rising costs (particularly food prices and staff salaries). The Bank of England Quarter 2 2017 Agents' Report states that "Business services had continued to grow at a moderate pace, albeit activity had been patchy across sub-sectors.

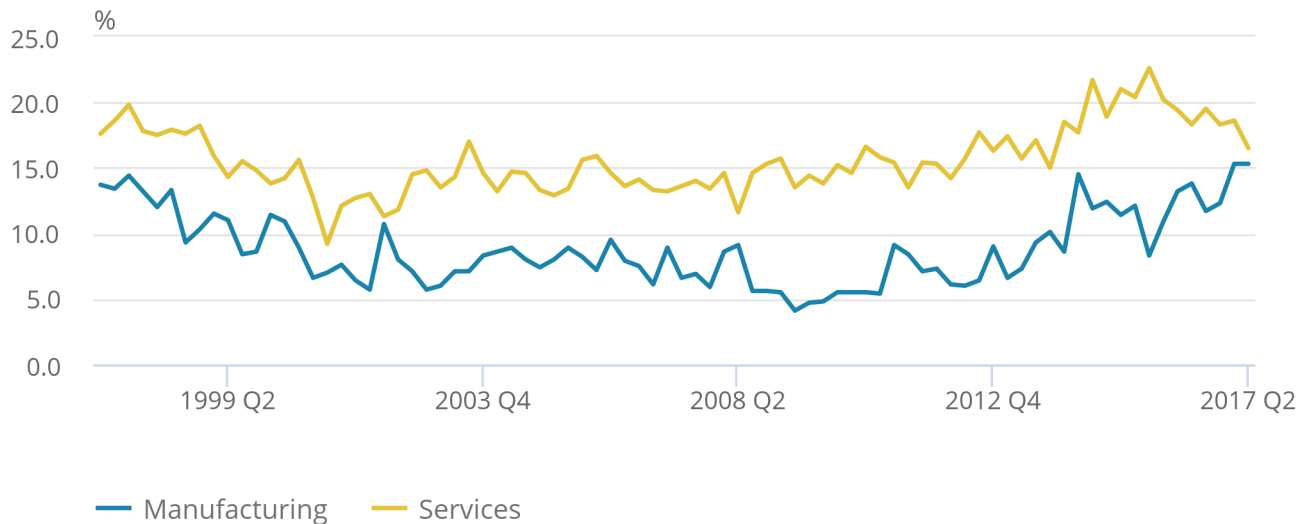
Generally strong transactional activity (including mergers and acquisitions) was driving growth for contacts in accountancy, legal and corporate finance. IT companies had reported robust demand for digital and cyber security services. Strong price competition had, however, continued to hold back turnover growth in some commoditised services (for example, audit). There were some indications of businesses reducing discretionary spending such as advertising and corporate hospitality. Services exports growth had continued at a steady pace, boosted by stronger underlying global demand and the fall in the exchange rate.

**Figure 2: Net rate of return of manufacturing and services companies, Quarter 1 (Jan to Mar) 1997 to Quarter 2 (Apr to June) 2017**

UK

Figure 2: Net rate of return of manufacturing and services companies, Quarter 1 (Jan to Mar) 1997 to Quarter 2 (Apr to June) 2017

UK



Source: Office for National Statistics

Notes:

1. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

## 5 . UK continental shelf (UKCS) companies' profitability fell after slight recovery

The estimated rate of return for UK continental shelf (UKCS) companies in Quarter 2 (Apr to June) 2017 was 3.2%. This was down 1 percentage point from the revised estimate of 4.2% in Quarter 1 (Jan to Mar) 2017 (Figure 3). This reflects falling oil and gas prices, which were only partly offset by increased quarter-on-quarter production. The revised annual net rate of return of UKCS companies in 2016 was 2.4%, the lowest since the current series began in 1997.

**Figure 3: Net rate of return of UKCS companies, Quarter 1 (Jan to Mar) 1997 to Quarter 2 (Apr to June) 2017**

Figure 3: Net rate of return of UKCS companies, Quarter 1 (Jan to Mar) 1997 to Quarter 2 (Apr to June) 2017



Source: Office for National Statistics

Notes:

1. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

Despite an increase in the volume of output by 0.2% between Quarter 1 2017 and Quarter 2 2017 ( [UK GDP\(O\) low level aggregates dataset](#) ), the profits of these companies were likely influenced by the sterling oil price. Quarter 2 2017 was 11% below levels seen in Quarter 1 2017 ( [ICE Brent Crude Oil Front Month](#)).

Between April 2012 and February 2016, oil reduced in price (US \$) by 31%, before increasing by 19% from February 2016 to September 2017. In support of the UKCS rate of return falling in Quarter 2 2017, 18% of all companies in the FTSE sector (oil, equipment, services and distribution) made profit warnings according to the Ernst and Young Profitability Warning release for Quarter 2 2017.

## 6 . How does UK profitability compare internationally?

Profitability is a relative measure of profit and what created it. This bulletin shows the rate of return on capital employed. Unfortunately, other countries use a range of different measures, making international comparisons difficult.

It is possible to compare the aggregated national profit share, defined as gross operating surplus (GOS) plus mixed income (income made by the self-employed and other non-incorporated businesses) divided by gross value added (GVA) on a European System of Accounts 2010: ESA 2010 basis. GVA is the difference between the cost of inputs (whether capital or labour) and the cost of the output. The difference in the cost is due to the value added by the use of labour and capital. GOS is the income earned from capital. The national profit share measure includes the activity of other profit-making sectors, such as financial corporations and public corporations, while the rest of this bulletin refers to the activities of private non-financial corporations (PNFCs) only.

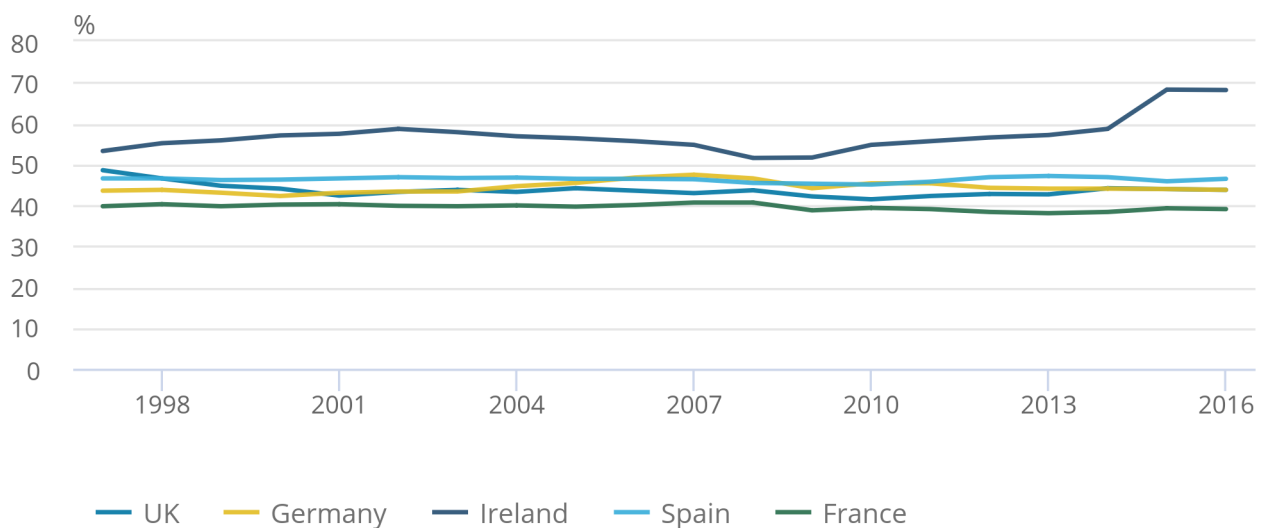
International data on an ESA 2010 basis are only available at the aggregate national level, shown for selected countries in Figure 4.

**Figure 4: National profit share for selected countries, 1997 to 2016**

**International comparisons**

Figure 4: National profit share for selected countries, 1997 to 2016

International comparisons



**Source: Office for National Statistics and Eurostat**

**Notes:**

1. Calendar years are used for Figure 4.

The UK, France and Germany experienced a decline in the national profit share in 2016, whilst Spain reported a small increase in contrast to prior decreases. In Quarter 2 (Apr to June) 2017, the UK economy has performed strongly compared with the European Union as a whole since mid-2012, following a very similar path to that of the German economy from the end of 2014 ([Monthly Economic Commentary](#), July 2017).

## 7 . Links to related statistics

The gross operating surplus (GOS) of private non-financial corporations (PNFCs) is a component of the income approach to measuring gross domestic product (GDP). GOS consists of gross trading profits, plus income from rental of buildings, less inventory holding gains (changes in inventory value caused by price). See the [Quarterly national accounts](#) for a detailed breakdown of the components of gross domestic product (GDP), as well as main sector accounts aggregates.

The [Quarterly sector accounts](#) includes estimates of national production, income and expenditure, UK Sector Accounts and the UK Balance of Payments.

## 8 . What's changed in this release?

Revisions to the net rates of return for private non-financial corporations (PNFCs) have been made back to Quarter 1 (Jan to Mar) 1997 and are consistent with the Blue Book 2017, published on 31 October 2017.

We welcome any feedback and are particularly interested in knowing how you use the data to inform your work. Contact us via email at [profitability@ons.gov.uk](mailto:profitability@ons.gov.uk) or telephone Curtis Sanders on +44 (0)1633 455053.

## 9 . Quality and methodology

The Profitability of UK companies statistical bulletin reports the estimates for net rate of return on capital employed for UK private non-financial corporations (PNFCs) related to their UK operations.

The [Profitability of UK companies](#) and [Quarterly Operating Profits Survey](#) Quality and Methodology Information reports contain 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

### Revisions

Revisions to rates of return have been incorporated in this release from Quarter 1 (Jan to Mar) 1997 to ensure consistency with the [Blue Book 2017](#). The revisions to the time series are presented in Table R1 accompanying this bulletin.

Revisions to operating surplus include:



- the impact of work to split households, and non-profit institutions serving households (NPISH) into separate sectors
- correction to allocating income of households as employers from compensation of employees to self-employment income
- Annual Business Survey data was introduced in the measurement of motor vehicle duties paid for the private non-financial corporations (PNFC) sector, leading to higher tax payments offsetting against PNFC profits
- impacts of changing the treatment of gross capital formation arising from football transfers, software and entertainment

Reasons for revisions to capital employed include:

- Revisions to Annual Business Survey (ABS) data from 1997, with the largest revisions occurring in the earliest years for gross stock, net stock and consumption of fixed capital
- the reclassification of housing associations in England from private non-financial corporations to public corporations
- improvements to methodology of transfer cost (costs associated with the buying and selling of property) caused estimates to reduce
- the methodology in the production of the House Prices Index (HPI) has been improved, which has caused changes back to 1997

For more information on the impact of method changes in Blue Book 2017 see Appendix A in [National Accounts articles: Impact of method changes to the national accounts and sector accounts: Quarter 1 1997 to Quarter 2 2017](#).

For more information, please refer to our web page dedicated to [revisions to economic statistics](#), which brings together our work on revisions analysis, links to relevant documentation and revisions policies.

The estimates quoted in this international comparison section are the latest available estimates published by the respective bodies (referenced) at the time of preparation of this statistical bulletin and may subsequently have been revised. The data are sourced from [Eurostat](#).

## Perpetual inventory method

Underlying estimates of capital stock and capital consumption are produced using the perpetual inventory method. Further details are available in the [Capital stock, capital consumption, methodological changes to the estimation of capital stocks and consumption of fixed capital](#) publication, the latest release is available as of 22 November 2017.

# 1 Annual Rates of Return of Private Non-Financial Corporations<sup>1</sup> - Summary<sup>2</sup>

Percentage

Year	All Private Non-Financial Corporations <sup>2</sup>		UKCS Companies <sup>3</sup>		UK non-CS PNFCs		Manufacturing Sector PNFCs		Service Sector PNFCs	
	Gross <sup>4,6</sup> Net <sup>5,6</sup>		Gross <sup>4,6</sup> Net <sup>5,6</sup>		Gross <sup>4,6</sup> Net <sup>5,6</sup>		Gross <sup>4,6</sup> Net <sup>5,6</sup>		Gross <sup>4,6</sup> Net <sup>5,6</sup>	
	LRWV	LRWW	LRXD	LRXE	LRXO	LRXP	LRYP	LRYP	LRYP	LRYP
1997	13.4	14.2	11.1	10.6	13.6	14.5	12.7	13.7	17.0	18.4
1998	12.5	12.9	9.1	6.9	12.9	13.3	11.1	11.2	16.7	17.8
1999	11.7	11.4	10.6	10.5	11.8	11.5	10.4	9.9	15.1	15.1
2000	11.7	11.5	16.4	23.3	11.3	10.8	10.1	9.4	14.4	14.1
2001	10.5	9.6	15.8	22.9	10.1	8.9	8.3	6.7	12.9	11.8
2002	11.3	10.7	15.4	22.4	11.0	10.2	9.0	7.8	14.0	13.1
2003	11.4	11.3	15.2	23.0	11.2	10.8	8.4	7.1	14.8	14.9
2004	11.3	11.3	15.6	24.7	11.1	10.7	9.0	8.2	14.2	14.0
2005	11.6	11.8	19.5	34.4	11.1	10.9	8.9	8.1	14.3	14.5
2006	11.6	11.9	22.5	41.1	11.0	10.8	8.6	7.7	14.0	13.9
2007	11.3	11.4	21.1	37.8	10.7	10.5	8.2	7.1	13.7	13.5
2008	11.2	11.5	22.4	40.6	10.6	10.5	8.3	7.2	13.7	14.0
2009	10.5	10.3	17.3	28.6	10.1	9.6	6.9	4.8	14.1	14.4
2010	11.2	11.5	21.1	37.9	10.7	10.6	7.1	5.5	14.8	15.6
2011	11.3	11.7	24.5	44.3	10.6	10.6	8.5	8.0	14.3	14.9
2012	11.1	11.4	20.1	31.9	10.6	10.7	7.8	6.9	14.9	16.0
2013	11.1	11.5	18.0	25.6	10.8	11.0	8.6	8.3	15.1	16.3
2014	12.0	12.9	12.5	13.2	12.0	12.8	10.5	11.9	17.0	19.2
2015	12.1	12.9	7.6	3.6	12.3	13.3	9.9	10.7	18.2	21.0
2016	11.8	12.6	6.8	2.4	12.0	13.0	10.9	12.8	16.8	18.9

Source: Office for National Statistics

- Private non-financial corporations are comprised of UK Continental Shelf, manufacturing, non-financial service sector companies and others (including construction, electricity and gas supply, agriculture, mining and quarrying).
- Underlying data are presented in tables 3 to 7. Background notes to this release and all footnotes in Table 1 apply to all tables.
- UKCS companies are defined as those involved in the exploration for and production of oil and natural gas from the UK Continental Shelf.
- Basis of gross estimates:  
Gross operating surplus (numerator): Gross trading profits from United Kingdom operations plus rentals received less inventory holding gains.

- Gross capital employed (denominator): Value of fixed assets at current replacement cost plus the book value of inventories held in United Kingdom
- Basis of net estimates:  
Net operating surplus (numerator): Gross operating surplus less capital consumption at current replacement cost.
- Net capital employed (denominator): Gross capital employed less accumulated capital consumption at current replacement cost.

For more information see the revisions section of this release.

## 2 Quarterly Rates of Return of Private Non-Financial Corporations - Summary<sup>1</sup>

Percentage

Year	All Private Non-Financial Corporations		UKCS Companies		UK non-CS PNFCs		Manufacturing Sector PNFCs		Service Sector PNFCs	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	LRWV	LRWW	LRXD	LRXE	LRXO	LRXP	LRYB	LRYC	LRYP	LRYQ
1997 Q1	13.2	14.2	12.7	13.2	13.3	14.2	13.0	13.7	15.8	17.6
Q2	13.3	14.0	10.3	9.1	13.6	14.4	12.4	13.4	17.3	18.6
Q3	13.9	15.0	10.8	10.2	14.2	15.4	13.0	14.4	18.0	19.8
Q4	13.0	13.6	10.6	9.8	13.3	13.9	12.3	13.2	16.8	17.8
1998 Q1	13.0	13.7	9.9	8.5	13.3	14.1	11.6	12.0	16.4	17.5
Q2	12.8	13.3	9.5	7.8	13.1	13.7	12.3	13.3	16.7	17.9
Q3	11.9	11.9	8.6	6.1	12.2	12.3	10.0	9.3	16.6	17.6
Q4	12.5	12.8	8.2	5.3	12.8	13.3	10.6	10.3	17.0	18.2
1999 Q1	12.4	12.6	8.1	5.2	12.8	13.1	11.3	11.5	15.6	15.9
Q2	11.3	10.9	9.3	7.9	11.5	11.1	11.0	11.0	14.5	14.3
Q3	11.6	11.1	12.3	13.9	11.5	11.0	9.5	8.4	15.5	15.5
Q4	11.6	11.2	12.8	15.1	11.5	10.9	9.6	8.6	15.1	14.8
2000 Q1	12.1	12.1	14.5	19.0	11.9	11.7	11.3	11.4	14.2	13.8
Q2	11.8	11.7	15.9	22.4	11.4	11.1	10.9	10.9	14.5	14.2
Q3	11.6	11.4	16.9	24.8	11.2	10.7	9.7	8.9	15.3	15.6
Q4	11.2	10.7	18.1	27.4	10.6	9.7	8.4	6.6	13.5	12.7
2001 Q1	10.0	8.9	17.3	25.9	9.5	8.0	8.6	7.0	11.2	9.2
Q2	10.7	10.0	17.2	25.8	10.2	9.1	8.9	7.6	13.1	12.1
Q3	10.5	9.6	15.1	21.5	10.2	9.0	8.2	6.4	13.6	12.7
Q4	10.6	10.0	13.7	18.3	10.4	9.5	7.7	5.7	13.6	13.0
2002 Q1	11.3	10.9	14.0	19.1	11.1	10.5	10.7	10.7	12.6	11.3
Q2	11.1	10.5	15.4	22.1	10.8	10.0	9.1	8.0	13.1	11.8
Q3	11.3	10.6	14.7	20.8	11.0	10.2	8.6	7.1	15.0	14.5
Q4	11.4	10.9	17.6	27.9	10.9	10.1	7.7	5.7	15.2	14.8
2003 Q1	11.2	10.9	17.1	26.9	10.8	10.2	7.9	6.0	14.0	13.5
Q2	11.0	10.8	13.0	17.6	10.9	10.4	8.4	7.1	14.3	14.3
Q3	11.7	11.9	15.2	22.9	11.5	11.4	8.4	7.1	16.1	17.0
Q4	11.7	11.8	15.8	24.5	11.4	11.2	9.1	8.3	14.6	14.6
2004 Q1	11.3	11.1	15.0	22.9	11.0	10.6	9.2	8.6	13.8	13.2
Q2	11.6	11.7	14.7	22.6	11.4	11.3	9.3	8.9	14.6	14.7
Q3	11.5	11.5	16.5	26.8	11.2	10.9	8.9	8.0	14.6	14.6
Q4	11.0	10.9	16.3	26.4	10.7	10.3	8.6	7.4	13.7	13.3
2005 Q1	11.1	11.2	17.8	30.5	10.7	10.4	8.8	8.0	13.2	12.9
Q2	11.5	11.8	18.9	33.1	11.0	10.9	9.3	8.9	13.5	13.4
Q3	11.8	12.1	19.8	35.2	11.3	11.2	9.0	8.2	15.1	15.6
Q4	11.9	12.2	21.3	38.6	11.3	11.2	8.4	7.2	15.4	15.9

Source: Office for National Statistics

<sup>1</sup> The quarterly rates of return are consistent with the annual rates of return presented in Table 1.

See footnotes on Table 1

**continued over**

## 2 Quarterly Rates of Return of Private Non-Financial Corporations - Summary<sup>1</sup> continued

Percentage

Year	All Private Non-Financial Corporations		UKCS Companies		UK non-CS PNFCs		Manufacturing Sector PNFCs		Service Sector PNFCs	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	LRWV	LRWW	LRXD	LRXE	LRXO	LRXP	LRYP	LRYS	LRYP	LRYS
2006 Q1	12.1	12.6	24.9	47.2	11.3	11.3	9.7	9.5	14.4	14.6
Q2	11.6	11.9	23.9	44.7	10.9	10.6	8.7	7.9	13.7	13.6
Q3	11.6	11.8	21.3	38.2	11.1	10.8	8.5	7.5	14.2	14.1
Q4	11.3	11.2	19.6	34.3	10.8	10.4	7.7	6.1	13.7	13.3
2007 Q1	11.2	11.4	16.7	27.3	10.9	10.8	9.2	8.9	13.4	13.2
Q2	11.2	11.4	17.8	29.9	10.8	10.7	7.8	6.6	13.7	13.6
Q3	11.3	11.4	20.6	36.5	10.8	10.4	8.1	6.9	14.2	14.0
Q4	11.4	11.6	29.5	57.2	10.4	9.9	7.5	5.9	13.6	13.4
2008 Q1	11.6	12.2	24.6	45.8	10.9	11.0	9.0	8.6	14.1	14.6
Q2	11.2	11.5	29.1	56.8	10.2	9.9	9.3	9.1	12.2	11.6
Q3	11.4	11.8	23.8	43.8	10.8	10.7	7.4	5.6	14.1	14.6
Q4	10.7	10.6	11.9	15.8	10.6	10.5	7.4	5.6	14.6	15.3
2009 Q1	11.0	11.2	16.3	26.2	10.7	10.6	7.3	5.5	14.8	15.7
Q2	9.9	9.3	13.2	18.8	9.7	9.0	6.5	4.1	13.5	13.5
Q3	10.5	10.2	16.7	27.3	10.1	9.6	6.8	4.7	14.2	14.4
Q4	10.6	10.4	23.0	42.4	9.9	9.3	6.8	4.8	13.7	13.8
2010 Q1	11.0	11.2	18.9	32.6	10.5	10.5	7.2	5.5	14.4	15.2
Q2	10.8	10.9	19.3	33.8	10.4	10.1	7.1	5.5	14.2	14.6
Q3	11.4	11.9	22.1	40.3	10.9	10.9	7.1	5.5	15.6	16.6
Q4	11.7	12.2	24.3	45.0	11.0	11.1	7.1	5.4	15.0	15.8
2011 Q1	11.8	12.5	25.0	46.4	11.1	11.4	9.2	9.1	14.6	15.4
Q2	10.9	11.1	25.2	46.4	10.1	9.9	8.7	8.4	13.4	13.5
Q3	11.1	11.4	23.6	41.8	10.5	10.3	8.1	7.1	14.6	15.4
Q4	11.4	11.8	24.3	42.8	10.7	10.7	8.2	7.3	14.6	15.3
2012 Q1	10.7	10.8	22.8	38.8	10.0	9.8	7.4	6.1	13.7	14.2
Q2	10.8	11.0	20.0	32.0	10.3	10.2	7.3	6.0	14.8	15.7
Q3	11.2	11.6	19.1	29.4	10.8	11.0	7.6	6.4	16.1	17.7
Q4	11.6	12.3	18.6	27.9	11.3	11.7	9.0	9.0	15.2	16.3
2013 Q1	11.5	12.2	18.8	28.0	11.1	11.6	7.6	6.6	15.7	17.4
Q2	10.8	11.0	18.0	26.0	10.4	10.4	8.0	7.3	14.7	15.7
Q3	11.2	11.6	17.9	25.2	10.8	11.0	9.1	9.3	15.7	17.1
Q4	11.1	11.4	17.1	23.2	10.8	10.9	9.6	10.1	14.4	15.0
2014 Q1	11.7	12.5	15.5	19.5	11.5	12.2	8.7	8.6	16.4	18.5
Q2	11.9	12.7	13.4	15.0	11.8	12.6	12.0	14.5	16.0	17.7
Q3	12.4	13.6	11.0	10.2	12.5	13.7	10.5	11.9	18.6	21.7
Q4	11.9	12.7	10.0	8.2	12.0	12.9	10.8	12.4	16.9	18.9
2015 Q1	12.1	13.1	7.4	3.3	12.4	13.5	10.3	11.4	18.1	21.0
Q2	12.1	13.0	10.1	8.6	12.2	13.2	10.7	12.1	17.8	20.4
Q3	12.0	12.8	6.5	1.5	12.3	13.3	8.6	8.3	19.3	22.6
Q4	12.0	12.7	6.2	1.0	12.3	13.2	10.0	10.9	17.7	20.2
2016 Q1	11.9	12.9	7.1	2.9	12.2	13.3	11.2	13.2	17.0	19.4
Q2	11.8	12.7	5.9	0.6	12.1	13.2	11.5	13.8	16.3	18.3
Q3	11.7	12.4	6.8	2.2	11.9	12.8	10.4	11.7	17.1	19.5
Q4	11.8	12.4	7.7	3.8	12.0	12.8	10.8	12.3	16.5	18.3
2017 Q1	12.0	12.9	7.8	4.2	12.2	13.3	12.4	15.3	16.6	18.6
Q2	11.9	12.6	7.2	3.2	12.1	12.9	12.4	15.3	15.4	16.5

Source: Office for National Statistics

### 3 Rates of Return of all Private Non-Financial Corporations

Year	Percentage Rate of Return		£ billion				
	Gross LRWV	Net LRWW	Gross Operating Surplus LRWL	Capital Consumption BGXZ	Net Operating Surplus LRWM	Capital Employed	
						Gross LRWT	Net LRWU
1997	13.4	14.2	198.3	67.4	130.9	1483.8	922.2
1998	12.5	12.9	194.0	69.4	124.6	1546.2	966.1
1999	11.7	11.4	190.8	74.1	116.8	1628.9	1020.2
2000	11.7	11.5	202.0	77.2	124.8	1732.4	1087.8
2001	10.5	9.6	190.8	80.4	110.4	1822.7	1148.2
2002	11.3	10.7	207.8	82.4	125.4	1845.7	1167.6
2003	11.4	11.3	223.9	83.8	140.2	1962.1	1236.7
2004	11.3	11.3	227.7	85.0	142.7	2007.4	1263.7
2005	11.6	11.8	245.5	87.6	157.9	2121.9	1336.0
2006	11.6	11.9	259.4	93.0	166.5	2228.7	1403.5
2007	11.3	11.4	266.0	96.4	169.6	2358.0	1485.4
2008	11.2	11.5	276.4	97.5	178.9	2460.8	1550.5
2009	10.5	10.3	254.4	98.4	156.0	2428.0	1517.5
2010	11.2	11.5	272.2	98.2	174.0	2426.5	1506.7
2011	11.3	11.7	284.0	101.4	182.6	2517.8	1560.6
2012	11.1	11.4	289.8	104.5	185.3	2614.6	1620.5
2013	11.1	11.5	301.6	107.9	193.7	2709.2	1681.3
2014	12.0	12.9	334.2	111.0	223.2	2784.7	1735.6
2015	12.1	12.9	344.8	114.6	230.2	2859.1	1781.9
2016	11.8	12.6	354.5	119.2	235.3	3004.4	1869.8

See footnotes on Table 1

## 4 Rates of Return of UK Continental Shelf (UKCS) Companies

Year	Percentage Rate of Return		£ billion					
	Gross	Net <sup>1</sup>	Gross		Net		Capital Employed	
			Operating Surplus	Capital Consumption	Operating Surplus	Gross	Net	
LRXD	LRXE	LRWX	BGYB	LRWY	LRXB	LRXC		
1997	11.1	10.6	13.8	7.0	6.8	124.7	64.6	
1998	9.1	6.9	11.5	7.1	4.4	127.1	63.7	
1999	10.6	10.5	13.7	7.1	6.6	129.1	62.8	
2000	16.4	23.3	21.2	7.1	14.1	129.4	60.2	
2001	15.8	22.9	20.1	7.0	13.1	127.1	57.0	
2002	15.4	22.4	19.1	6.9	12.2	123.8	54.5	
2003	15.2	23.0	18.8	6.6	12.2	123.3	53.0	
2004	15.6	24.7	18.7	6.4	12.3	119.6	49.9	
2005	19.5	34.4	23.6	6.4	17.1	121.1	49.9	
2006	22.5	41.1	27.3	6.5	20.8	121.6	50.6	
2007	21.1	37.8	26.1	6.4	19.6	123.4	52.0	
2008	22.4	40.6	28.1	6.6	21.5	125.7	53.0	
2009	17.3	28.6	21.5	6.6	14.8	124.1	51.7	
2010	21.1	37.9	25.4	6.4	19.0	120.1	50.1	
2011	24.5	44.3	29.8	6.6	23.2	121.6	52.3	
2012	20.1	31.9	25.2	7.0	18.2	125.5	57.0	
2013	18.0	25.6	23.5	7.4	16.1	130.7	62.9	
2014	12.5	13.2	16.7	7.8	8.9	134.0	68.0	
2015	7.6	3.6	10.3	7.7	2.6	135.8	71.2	
2016	6.8	2.4	9.6	7.8	1.8	139.9	74.7	

<sup>1</sup> Net rates of return are not a good measure of performance for Continental Shelf companies because of the nature of the fixed assets. This leads to distortions in the average capital employed. See also footnotes on Table 1

## 5 Rates of Return of non-UKCS PNFCs

Year	Percentage Rate of Return		£ billion					
	Gross	Net	Gross		Net		Capital Employed	
			Operating Surplus	Capital Consumption	Operating Surplus	Gross	Net	
LRXO	LRXP	LRXG	BGYC	LRXH	LRXM	LRXN		
1997	13.6	14.5	184.4	60.4	124.1	1359.1	857.7	
1998	12.9	13.3	182.4	62.3	120.2	1419.1	902.4	
1999	11.8	11.5	177.1	66.9	110.2	1499.9	957.4	
2000	11.3	10.8	180.8	70.1	110.7	1603.0	1027.6	
2001	10.1	8.9	170.7	73.4	97.3	1695.7	1091.2	
2002	11.0	10.2	188.7	75.5	113.1	1721.9	1113.1	
2003	11.2	10.8	205.2	77.2	128.0	1838.8	1183.7	
2004	11.1	10.7	209.0	78.6	130.4	1887.9	1213.7	
2005	11.1	10.9	221.9	81.2	140.8	2000.8	1286.1	
2006	11.0	10.8	232.1	86.5	145.7	2107.1	1352.9	
2007	10.7	10.5	240.0	90.0	150.0	2234.6	1433.4	
2008	10.6	10.5	248.3	90.9	157.4	2335.1	1497.5	
2009	10.1	9.6	233.0	91.8	141.2	2303.9	1465.8	
2010	10.7	10.6	246.8	91.8	155.0	2306.4	1456.6	
2011	10.6	10.6	254.2	94.8	159.4	2396.2	1508.3	
2012	10.6	10.7	264.6	97.5	167.1	2489.1	1563.4	
2013	10.8	11.0	278.1	100.5	177.6	2578.5	1618.4	
2014	12.0	12.8	317.5	103.2	214.3	2650.7	1667.6	
2015	12.3	13.3	334.6	106.9	227.7	2723.3	1710.7	
2016	12.0	13.0	344.9	111.4	233.5	2864.5	1795.2	

See footnotes on Table 1

## 6 Rates of Return of Manufacturing Sector PNFCs

Year	Percentage Rate of Return		£ billion			Capital Employed	
	Gross	Net	Gross	Capital	Net	Gross	Net
			Operating Surplus	Consumption	Operating Surplus		
LRYP	LRYP	LRYP	LRYP	LRYP	LRYP	LRYP	LRYP
1997	12.7	13.7	51.6	18.2	33.4	407.5	244.5
1998	11.1	11.2	46.6	18.5	28.1	419.6	251.0
1999	10.4	9.9	44.9	19.4	25.5	433.1	259.1
2000	10.1	9.4	45.4	19.9	25.5	450.7	269.7
2001	8.3	6.7	38.4	20.1	18.3	460.7	275.1
2002	9.0	7.8	41.6	20.2	21.4	460.2	273.0
2003	8.4	7.1	39.4	19.8	19.6	466.3	274.1
2004	9.0	8.2	41.8	19.5	22.3	464.6	270.6
2005	8.9	8.1	43.6	20.4	23.2	489.7	286.4
2006	8.6	7.7	44.1	20.9	23.1	510.0	298.8
2007	8.2	7.1	42.9	21.3	21.6	526.0	305.0
2008	8.3	7.2	45.5	22.5	22.9	550.1	317.7
2009	6.9	4.8	37.7	22.9	14.8	549.2	311.9
2010	7.1	5.5	38.7	22.1	16.7	542.2	305.4
2011	8.5	8.0	47.3	22.6	24.7	553.9	309.9
2012	7.8	6.9	44.2	22.6	21.5	564.9	313.9
2013	8.6	8.3	49.2	22.9	26.3	573.7	316.4
2014	10.5	11.9	60.5	22.9	37.6	575.6	316.6
2015	9.9	10.7	57.5	23.4	34.1	581.0	319.3
2016	10.9	12.8	66.4	23.9	42.5	607.4	333.0

1 See footnotes on table 1

## 7 Rates of Return of Service Sector PNFCs

Year	Percentage Rate of Return		£ billion			Capital Employed	
	Gross	Net	Gross	Capital	Net	Gross	Net
			Operating Surplus	Consumption	Operating Surplus		
LRYP	LRYP	LRYP	LRYP	LRYP	LRYP	LRYP	LRYP
1997	17.0	18.4	112.5	34.8	77.7	663.5	421.6
1998	16.7	17.8	115.7	36.1	79.7	694.0	447.4
1999	15.1	15.1	112.3	39.6	72.8	742.0	480.5
2000	14.4	14.1	115.1	41.7	73.4	800.5	521.2
2001	12.9	11.8	110.6	44.4	66.2	857.9	562.0
2002	14.0	13.1	121.6	46.1	75.5	869.4	575.7
2003	14.8	14.9	141.6	47.9	93.7	957.7	630.6
2004	14.2	14.0	141.0	49.4	91.6	995.8	656.2
2005	14.3	14.5	150.9	50.7	100.2	1054.4	693.2
2006	14.0	13.9	156.4	54.9	101.5	1115.0	731.2
2007	13.7	13.5	163.2	57.5	105.7	1189.1	780.1
2008	13.7	14.0	169.7	56.5	113.3	1235.1	809.6
2009	14.1	14.4	169.4	56.6	112.9	1205.7	785.8
2010	14.8	15.6	179.8	57.3	122.5	1216.5	787.2
2011	14.3	14.9	180.9	59.2	121.7	1266.4	816.4
2012	14.9	16.0	196.2	61.1	135.1	1312.8	844.5
2013	15.1	16.3	205.0	63.0	142.0	1354.9	870.2
2014	17.0	19.2	236.3	65.0	171.2	1390.4	893.5
2015	18.2	21.0	262.2	67.5	194.6	1438.3	924.7
2016	16.8	18.9	252.4	70.7	181.7	1505.6	962.9

1 See footnotes on table 1



# R1 Revisions to Annual and Quarterly Net Rates of Return of PNFCs

Percentage

Year	All PNFCs	UKCS Companies	UK non -CS PNFCs	Manufacturing Sector PNFCs	Service Sector PNFCs
	LRWW	LRXE	LRXP	LRYC	LRYQ
1997	- 0.26	0.67	- 0.35	0.12	- 0.38
1998	- 0.46	- 0.27	- 0.48	0.02	- 0.52
1999	- 0.80	- 1.38	- 0.76	- 0.21	- 0.95
2000	- 0.58	- 3.35	- 0.49	0.01	- 0.57
2001	- 0.81	- 4.59	- 0.71	- 0.19	- 0.86
2002	- 0.57	- 4.89	- 0.46	- 0.09	- 0.44
2003	- 0.30	- 4.44	- 0.19	0.06	- 0.04
2004	- 0.68	- 4.38	- 0.61	- 0.45	- 0.49
2005	- 0.40	- 5.12	- 0.33	- 0.16	- 0.18
2006	- 0.40	- 6.28	- 0.33	- 0.03	- 0.25
2007	- 0.47	- 6.20	- 0.40	- 0.05	- 0.32
2008	0.05	- 5.56	0.10	0.25	0.42
2009	0.76	- 4.34	0.83	0.69	1.57
2010	0.71	- 6.21	0.79	0.61	1.57
2011	0.57	- 6.42	0.64	0.61	1.30
2012	0.60	- 4.68	0.68	0.64	1.44
2013	0.16	- 3.43	0.23	0.24	0.86
2014	0.48	- 1.07	0.54	0.49	1.44
2015	0.80	- 0.27	0.85	0.65	1.96
2016	0.28	- 0.39	0.29	- 0.05	1.15
Quarter					
1997 Q1	0.33	0.76	0.29	0.62	0.37
Q2	- 0.30	0.76	- 0.41	0.13	- 0.46
Q3	- 0.19	0.66	- 0.28	0.24	- 0.26
Q4	- 0.90	0.45	- 1.02	- 0.50	- 1.20
1998 Q1	- 0.36	0.12	- 0.41	0.02	- 0.35
Q2	- 0.49	- 0.17	- 0.52	- 0.02	- 0.57
Q3	- 0.49	- 0.41	- 0.50	0.05	- 0.62
Q4	- 0.50	- 0.57	- 0.49	0.03	- 0.55
1999 Q1	- 0.50	- 0.81	- 0.47	0.03	- 0.49
Q2	- 0.85	- 1.11	- 0.82	- 0.35	- 0.99
Q3	- 0.95	- 1.81	- 0.91	- 0.28	- 1.19
Q4	- 0.90	- 2.07	- 0.84	- 0.22	- 1.09
2000 Q1	- 0.63	- 2.63	- 0.54	- 0.07	- 0.59
Q2	- 0.64	- 3.02	- 0.55	- 0.05	- 0.67
Q3	- 0.50	- 3.59	- 0.40	0.02	- 0.45
Q4	- 0.56	- 4.33	- 0.45	0.12	- 0.59
2001 Q1	- 0.77	- 4.40	- 0.68	- 0.24	- 0.78
Q2	- 0.86	- 4.75	- 0.77	- 0.25	- 0.94
Q3	- 0.85	- 4.63	- 0.76	- 0.18	- 0.97
Q4	- 0.75	- 4.40	- 0.65	- 0.11	- 0.75
2002 Q1	- 0.54	- 4.50	- 0.42	- 0.11	- 0.34
Q2	- 0.84	- 4.92	- 0.74	- 0.38	- 0.73
Q3	- 0.60	- 4.59	- 0.49	- 0.06	- 0.54
Q4	- 0.30	- 5.49	- 0.19	0.18	- 0.13

Source: Office for National Statistics

1 Table R1 shows the revisions to the net rates of return. There are no revisions made to previously published UK profitability data. This is consistent with the Quarterly National Accounts for Quarter 1 (Jan to Mar) 2017.

**continued over**

# R1 Revisions to Annual and Quarterly Net Rates of Return of PNFCs continued

Quarter	%				
	All PNFCs	UKCS Companies	UK non-CS PNFCs	Manufacturing Sector PNFCs	Service Sector PNFCs
	LRWW	LRXE	LRXP	LRYC	LRYQ
2003 Q1	- 0.14	- 5.09	- 0.02	0.16	0.20
Q2	- 0.40	- 3.73	- 0.30	- 0.02	- 0.20
Q3	- 0.32	- 4.41	- 0.21	0.05	- 0.06
Q4	- 0.33	- 4.56	- 0.23	0.05	- 0.10
2004 Q1	- 0.75	- 4.22	- 0.68	- 0.44	- 0.60
Q2	- 0.71	- 4.08	- 0.64	- 0.52	- 0.49
Q3	- 0.68	- 4.70	- 0.61	- 0.45	- 0.49
Q4	- 0.59	- 4.51	- 0.53	- 0.39	- 0.37
2005 Q1	- 0.28	- 4.77	- 0.20	- 0.12	0.03
Q2	- 0.41	- 4.86	- 0.35	- 0.19	- 0.20
Q3	- 0.47	- 5.24	- 0.40	- 0.22	- 0.29
Q4	- 0.43	- 5.59	- 0.36	- 0.12	- 0.27
2006 Q1	- 0.29	- 6.86	- 0.21	- 0.05	- 0.05
Q2	- 0.42	- 6.83	- 0.34	- 0.04	- 0.26
Q3	- 0.47	- 5.97	- 0.40	- 0.04	- 0.37
Q4	- 0.43	- 5.39	- 0.36	0.01	- 0.32
2007 Q1	- 0.41	- 4.47	- 0.34	- 0.11	- 0.21
Q2	- 0.43	- 4.98	- 0.36	- 0.03	- 0.25
Q3	- 0.58	- 6.06	- 0.52	- 0.04	- 0.55
Q4	- 0.45	- 9.30	- 0.37	- 0.03	- 0.29
2008 Q1	- 0.17	- 6.70	- 0.11	0.14	0.08
Q2	- 0.29	- 7.41	- 0.25	0.08	- 0.18
Q3	0.19	- 5.93	0.24	0.31	0.64
Q4	0.45	- 2.27	0.51	0.42	1.18
2009 Q1	0.91	- 3.72	0.97	0.79	1.81
Q2	0.78	- 2.96	0.84	0.73	1.56
Q3	0.70	- 4.29	0.77	0.65	1.48
Q4	0.67	- 6.42	0.73	0.59	1.43
2010 Q1	0.77	- 5.30	0.85	0.61	1.65
Q2	0.69	- 5.68	0.77	0.62	1.51
Q3	0.68	- 6.60	0.76	0.62	1.57
Q4	0.70	- 7.27	0.78	0.60	1.55
2011 Q1	1.04	- 7.08	1.12	1.00	1.94
Q2	0.41	- 6.85	0.47	0.47	1.03
Q3	0.40	- 6.02	0.46	0.48	1.10
Q4	0.44	- 5.82	0.50	0.52	1.12
2012 Q1	0.72	- 5.45	0.79	0.71	1.53
Q2	0.58	- 4.79	0.66	0.63	1.42
Q3	0.55	- 4.33	0.63	0.60	1.46
Q4	0.53	- 4.19	0.62	0.63	1.33
2013 Q1	0.56	- 4.05	0.65	0.52	1.49
Q2	- 0.09	- 3.54	- 0.03	0.05	0.49
Q3	0.09	- 3.39	0.16	0.22	0.79
Q4	0.10	- 2.82	0.16	0.19	0.69
2014 Q1	0.56	- 1.98	0.63	0.52	1.55
Q2	0.49	- 1.32	0.55	0.55	1.42
Q3	0.52	- 0.70	0.57	0.52	1.62
Q4	0.36	- 0.62	0.40	0.37	1.18
2015 Q1	0.88	- 0.27	0.94	0.76	2.06
Q2	0.81	- 0.40	0.87	0.70	1.96
Q3	0.75	- 0.31	0.81	0.55	2.03
Q4	0.75	- 0.13	0.79	0.61	1.80
2016 Q1	0.49	- 1.05	0.56	0.25	1.49
Q2	0.38	- 0.24	0.39	- 0.02	1.26
Q3	0.31	- 0.13	0.30	- 0.02	1.19
Q4	- 0.03	- 0.10	- 0.06	- 0.41	0.65
2017 Q1	-	-	-	-	-

Source: Office for National Statistics

- 1 Table R1 shows the revisions to the net rates of return. There are no revisions made to previously published UK profitability data. This is consistent with the Quarterly National Accounts for Quarter 1 (Jan to Mar) 2017.



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