

Economic Statistics Transformation Programme: enhanced financial accounts (UK flow of funds) - experimental equity and investment fund shares or units statistics, explanatory notes: 2016

Explanatory notes for the compilation of experimental equity and investment fund shares or units statistics in the enhanced financial accounts (UK flow of funds) matrices publication.

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Introduction

This note explains the sources and methods used in the compilation of the experimental from-whom-to-whom equity and investment fund shares or units statistics. Table 1 shows the estimates for balance sheet assets by sector, together with the counterparty sector that holds the liability, for 2016. This data is consistent with the [UK Economic Accounts \(UKEA\)](#), on a [Blue Book 2017](#) basis, except where explicitly highlighted. The second part of this note describes the data sources for these estimates, as well as highlighting areas for review.

Office for National Statistics (ONS) will continue the programme of development and quality assurance of these newly released [Experimental Statistics](#) and any improvements identified in the wider datasets will be integrated within the national accounts at the earliest opportunity.

We welcome feedback on the data sources and methods outlined in these notes. Any feedback on the [Experimental Statistics](#) and accompanying explanatory notes can be sent to flowoffundsdevelopment@ons.gov.uk

Table 1: From-whom-to-whom balance sheet equity and investment fund units or shares statistics, 2016, £ billion

Liabilities:												
Assets:	PC	PNFC	MFI	OFI	ICPF	CG	LG	HH	NPISH	RoW	Total	Unknown
PC										1.5	1.8	0.3
PNFC	0.0	72.1		0.8						885.1	994.8	36.8
MFI			0.0	2.5						174.8	286.2	108.8
OFI			113.9	102.7						681.0	1,294.0	396.4
ICPF				683.5						799.0	1,633.0	150.6
CG	3.4	1.8	14.2	24.7	1.3					6.1	51.5	0.0
LG	126.7										130.3	3.6
HH	0.0	278.9	37.9	285.7						129.3	862.1	130.3
NPISH										54.5	150.2	95.7
RoW	0.0	1,830.2	90.5	311.4	24.0						2,318.2	62.2
Total	130.1	2,547.9	256.5	1,931.3	125.0					2,731.3		
Unknown	0.0	365.0		520.0	99.7							

Source: Office for National Statistics

Notes:

1. PC = public corporations, PNFC = private non-financial corporations, MFI = monetary financial institutions, OFI = other financial institutions except MFIs and ICPFs, ICPF = insurance corporations and pension funds, CG = central government, LG = local government, HH = households, NPISH = non-profit institutions serving households, RoW = rest of the world.

Data sources by institutional sector

Estimates for equity and investment fund shares or units relate to the issuance and holdings of listed and unlisted shares, other UK equity and mutual funds units or shares. All institutional sectors other than central and local government, households (HH) and the non-profit institutions serving households (NPISH) sector can theoretically issue equity while all sectors can hold equity. The holdings of listed and unlisted shares are generally unknown; these will have to be developed in the future either by modelling or by introducing a new data collection.

Data are available from the Bank of England (BoE) surveys for monetary financial institution (MFI) holdings of equity split by sector for more recent periods. These are not currently used within Office for National Statistics (ONS) in the majority of cases but will be reviewed with a view to include in the future. This forms part of a wider review of the use of BoE data in the accounts, conducted in partnership with the BoE.

Equity issued by public corporations (PCs)

These estimates relate to listed and unlisted shares and other equity issued by public corporations. Data are sourced both from audited annual reports for individual public corporations and from administrative data for equity held by central and local government. All issuance figures are allocated to a counterpart sector and thus there are no unknown counterpart data within this series. It is assumed that no equity issued by public corporations will be held by other public corporations, monetary financial institutions (MFIs), other financial institutions (OFIs) or insurance corporations and pension funds (ICPFs); there are therefore no estimates feeding into these cells.

Equity held by private non-financial corporations (PNFCs) relates to holdings of unlisted shares and are estimated based on data reported in audited annual accounts of public corporations. This includes share capital held in public infrastructure companies and an estimate for specific private company holdings based on publically available information.

Equity held by central government (CG) relates to holdings of unlisted shares and other equity and is based on administrative data in government accounts. This includes an estimate for equity held in the Commonwealth Development Corporation (CDC) Group by the Department for International Development as well as debt write-offs in connection with privatisation. Equity withdrawal from the Export Credit Guarantee Department is also accounted for within this series.

Equity held by local government (LG) relates to holdings of unlisted shares and other equity. Estimates of unlisted shares are based on data provided by the Department for Communities and Local Government (DCLG). Estimates of other equity relate to the equity held in the housing revenue account by local government, again sourced from DCLG.

Equity held by households (HH) relates to the temporary delisting of shares in British Energy in Quarter 4 (Oct to Dec) 2004. This series is zero in all other periods.

Equity held by the rest of the world (RoW) relates to holdings of listed shares in British Energy sourced from audited annual accounts. Estimates only exist between Quarter 3 (July to Sept) 2002 and Quarter 4 2008.

Equity issued by private non-financial corporations (PNFCs)

These estimates include listed and unlisted shares and other equity issued by PNFCs. Total issuance of listed shares is sourced from the London Stock Exchange while issuance of unlisted shares is estimated based on the ONS Financial Assets and Liabilities Survey and information from the Share Ownership Survey, the University of Nottingham's Centre for Management Buy Out Research and various media sources.

Other UK equity includes estimates of foreign direct investment (FDI) in property derived using an internal ONS model as well as equity held in retail co-operatives by fund members. Holdings of listed and unlisted shares are generally unknown and no assumptions are made for this split by sector for the majority of these series; these are likely split across all institutional sectors.

Equity held by private non-financial corporations (PNFCs) relates to holdings of listed and unlisted shares. A proportion of the total issuance of unlisted shares is assumed to be counterpart to the PNFC sector; this is currently around 5% but the assumption will be reviewed periodically. Listed shares include an estimate of shares held in Royal Mail since the 2013 initial public offering.

Equity held by monetary financial institutions (MFIs) is an estimate based on data reported in BoE surveys of MFIs; 10% of the total holdings shares or shares issued by other UK residents (PNFCs, OFIs, ICPFs, HH and NPISH) are assumed to be counterpart to the PNFC sector.

Equity held by central government (CG) relates to holdings of listed shares sourced from administrative data in government accounts. This includes shares held in the Nuclear Liabilities Fund and in Royal Mail.

Equity held by households (HH) relates to holdings of listed and unlisted shares and other equity. Listed shares include an estimate of shares held in Royal Mail since the 2013 initial public offering; unlisted shares are an estimate based on the total issuance. Holdings of other equity relate to members' funds in retail co-operatives, sourced from the annual accounts of such co-operatives.

Equity held by the rest of the world (RoW) relates to holdings of unlisted shares and other equity by foreign parents in their UK subsidiaries, sourced from the ONS inward Foreign Direct Investment Survey.

Equity issued by monetary financial institutions (MFIs)

These estimates include listed and unlisted shares issued by MFIs. Estimates of total issuance are sourced from the London Stock Exchange for listed shares and BoE surveys of banks and building societies for unlisted shares. There is currently no estimate for MFI issuance of other equity, although such things as the Central Bank investment in the Bank for International Settlements and the European Central Bank should be included here. Issuance of listed shares has been zero since Quarter 2 (Apr to June) 2012 as it is now believed that all shares will be issued by the holding company, classified within the OFI sector, rather than the bank itself. Both of these instruments will be reviewed as part of the wider review of MFI data, conducted in partnership with the BoE.

Holdings of listed shares issued by MFIs are generally unknown and there is currently no assumption for the split of these by sector; it is likely that these will be held by all institutional sectors. The holdings of unlisted shares are known in some cases; the residual amount is split between the OFI sector (75%) and the household sector (25%).

Equity held by other financial institutions (OFIs) relates to holdings of unlisted shares; it is assumed that 75% of the residual unlisted shares in issue will be held by the OFI sector.

Equity held by central government (CG) relates to holdings of unlisted shares and are sourced from administrative data in government accounts.

Equity held by households (HH) relates to holdings of unlisted shares; it is assumed that 25% of the residual unlisted shares in issue will be held by the household sector.

Equity held by the rest of the world (RoW) relates to holdings of unlisted shares by foreign parents in their UK subsidiaries, sourced from the BoE survey of inward foreign direct investment.

Equity and investment fund shares or units issued by other financial institutions (OFIs)

These estimates include listed and unlisted shares issued by OFIs, as well as mutual fund shares or units. Total issuance of listed shares is sourced from the London Stock Exchange while issuance of unlisted shares is estimated based on ONS surveys of financial institutions, information from the Share Ownership Survey, the University of Nottingham's Centre for Management Buy Out Research and various media sources.

Holdings of listed shares are generally unknown and no assumptions are made for the split by sector for the majority of these series; these are likely split across all institutional sectors. Holdings of unlisted shares are based on data from BoE and ONS surveys and published accounts, although there remains a residual amount for which counterparty information is not estimated. As with listed shares this is likely split across institutional sectors. Total issuance of mutual fund shares is sourced from ONS surveys of investment and unit trusts. The holdings of these shares are split across sectors based on survey data and assumptions of the proportional split.

Equity held by private non-financial corporations (PNFCs) relates to holdings of mutual fund shares; it is assumed that 1% of the total shares in issue will be held by the PNFC sector.

Equity held by monetary financial institutions (MFIs) relates to holdings of unlisted shares and mutual fund shares. Holdings of unlisted shares are estimated based on data reported in BoE surveys of banks and building societies; it is assumed that 90% of holdings of shares issued by the private sector excluding MFIs will be issued by the OFIs sector. Holdings of mutual fund shares are assumed to account for 3% of the total shares in issue. These data have been explicitly reported on BoE surveys since 2014 and will be introduced into the national accounts in the future.

Equity held by other financial institutions (OFIs) relates to holdings of mutual fund shares. Holdings by investment and unit trusts are reported on ONS surveys of these institutions; holdings by other financial institutions are assumed to account for 8% of total issuance.

Equity held by insurance corporations and pension funds (ICPFs) relates to holdings of mutual fund shares, sourced from ONS surveys of insurance corporations and pension funds where these data are explicitly reported.

Equity held by central government (CG) relates to holdings of listed and unlisted shares in certain financial institutions. This includes the government shares in Lloyds and RBS, classified as OFIs because the shares are held in the holding companies rather than the banking entities. Government-owned unquoted equity in Northern Rock is also included here.

Equity held by households (HH) relates to holdings of unlisted shares and mutual fund shares. This includes investment in venture capital companies and shares obtained as part of management buy-outs.

Equity held by non-profit institutions serving households (NPISH) is estimated as the residual sector for this instrument.

Equity held by the rest of the world (RoW) includes holdings of unlisted shares and mutual fund shares. Holdings of unlisted shares relate to investment by foreign parents in their UK subsidiaries, sourced from the ONS survey of inward foreign direct investment, as well as estimates for RoW investment in securities dealers and venture capital companies. Holdings of mutual fund shares are assumed to account for 3% of total issuance.

Equity issued by insurance corporations and pension funds (ICPFs)

These estimates include listed and unlisted shares issued by ICPFs. Total issuance of listed shares is sourced from the London Stock Exchange while issuance of unlisted shares relates to inward foreign direct investment, sourced from the ONS financial direct investment (FDI) survey. Holdings of listed shares are generally unknown and no assumptions are made for the split by sector for the majority of these series; these are likely split across all institutional sectors. Holdings of unlisted shares are all allocated to RoW as this series only currently includes an estimate for foreign direct investment.

Equity held by central government (CG) relates to the transfer of the Royal Mail Pension Plan, sourced from administrative data in government accounts.

Equity held by the rest of the world (RoW) relates to holdings of unlisted shares by foreign parents in their UK subsidiaries, sourced from the ONS inward Foreign Direct Investment Survey.

Equity and investment fund shares or units issued by the rest of the world (RoW)

These estimates relate to UK holdings of shares and other equity issued by the rest of the world. Estimates of direct investment, where holdings account for over 10% of a company's total market shares, are sourced predominantly from the ONS and BoE surveys of foreign direct investment. Estimates of portfolio investment, where holdings are less than 10%, are sourced from various ONS and BoE surveys as well as administrative data for government holdings. Holdings of RoW mutual fund shares are sourced from ONS surveys of financial institutions. All institutional sectors can theoretically hold equity issued by RoW (other than RoW itself); it is currently assumed that local government will have no non-resident equity holdings.

Equity held by public corporations (PCs) relates to outward foreign direct investment in related entities abroad, sourced from the ONS outward FDI survey. This includes an adjustment for investment by the Nuclear Decommissioning Fund following the reclassification of the fund from the private to the public sector.

Equity held by private non-financial corporations (PNFCs) includes outward direct investment in related entities abroad, sourced from the ONS FDI survey, as well as an estimate for portfolio investment in RoW shares. This is based on annual figures for overseas equity holdings reported in the ONS Financial Assets and Liabilities Survey.

Equity held by monetary financial institutions (MFIs) is sourced from BoE surveys of banks and building societies and relates to both outward direct investment and portfolio investment in RoW equity. MFIs' holdings of RoW mutual fund shares are currently assumed to be zero; data available from the BoE since Quarter 1 (Jan to Mar) 2014 will be introduced here in the future.

Equity held by other financial institutions (OFIs) relates to direct investment, portfolio investment and holdings of RoW mutual fund shares. Estimates of direct investment are sourced from the ONS outward FDI survey while estimates of portfolio investment are based on data reported in the ONS surveys of financial institutions. Holdings of RoW mutual fund shares are sourced from the ONS surveys of investment and unit trusts.

Equity held by insurance corporations and pension funds (ICPFs) relates to direct investment, portfolio investment and holdings of RoW mutual fund shares. Estimates of direct investment are sourced from the ONS outward FDI survey while estimates of portfolio investment and holdings of RoW mutual fund shares are based on data reported in the ONS surveys of insurance corporations and pension funds.

Equity held by central government (CG) includes government subscriptions to international organisations such as the regional development bank and the European Investment Bank. Estimates are sourced from the Department for International Development.

Equity held by households (HH) relates to outward direct investment in property and holdings of RoW shares. Estimates of direct investment are sourced from the ONS outward FDI survey. Estimates of holdings of RoW shares are sourced from the ONS Wealth and Assets Survey (WAS). Estimates for RoW mutual fund shares are also captured here.

Equity held by non-profit institutions serving households (NPISH) relates to RoW shares and other equity. Estimates of RoW shares are sourced from National Council for Voluntary Organisations (NCVO) data. These charities accounts hold information on overseas shares and this can be extracted to obtain a sample, which can then be weighted up to obtain a total RoW share figure for NPISH.